
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular, for which the directors (“**Directors**”) of BYD Company Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. 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 in this circular misleading. All opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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 licensed securities dealer, other licensed corporation, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or otherwise transferred all your shares in the Company, you should at once hand this circular and the accompanying form of proxy and the reply slip to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer, licensed corporation, or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).



比亞迪股份有限公司 BYD COMPANY LIMITED

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1211)

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

PROPOSED SPIN-OFF AND LISTING OF BYD SEMICONDUCTOR ON THE CHINEXT BOARD OF SHENZHEN STOCK EXCHANGE PROPOSED ADOPTION OF SUBSIDIARY SHARE OPTION SCHEME AND NOTICE OF EXTRAORDINARY GENERAL MEETING

A notice convening the extraordinary general meeting (the “**EGM**”) of the Company to be held on Wednesday, 16 June 2021 at 10:00 a.m. at the Company’s Conference Room, No. 3009, BYD Road, Pingshan District, Shenzhen, the People’s Republic of China, is set out in pages EGM-1 to EGM-3 of this circular. A proxy form (the “**Proxy Form**”) containing the proposed resolutions is enclosed herewith. The Proxy Form is also published on the website of the Hong Kong Stock Exchange (www.hkex.com.hk). Whether or not you are able to attend the EGM, you are requested to complete the accompanying Proxy Form in accordance with the instructions printed thereon and return it as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the EGM (i.e. not later than 10:00 a.m. on Tuesday, 15 June 2021) or any adjournment thereof. Completion and return of the Proxy Form will not preclude you from attending and voting in person at the EGM or any adjourned EGM should you so wish.

31 May 2021

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	4
1. Introduction	4
2. Proposed Spin-off and listing of BYD Semiconductor on the ChiNext Board of Shenzhen Stock Exchange	5
3. Proposed adoption of Subsidiary Share Option Scheme	22
4. The EGM	31
5. Recommendations	32
6. Responsibility statement	32
7. Further information	32
Appendix – Summary of the principal terms of The Subsidiary Share Option Scheme	33
Notice of Extraordinary General Meeting	EGM-1

DEFINITIONS

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

“A Share(s)”	ordinary domestic share(s) with a nominal value of RMB1.00 each in the share capital of the Company which are listed on the Shenzhen Stock Exchange and traded in RMB;
“Articles of Association”	the articles of association of the Company, as amended from time to time;
“Board”	the board of Directors of the Company;
“BYD Semiconductor”	BYD Semiconductor Company Limited (比亞迪半導體股份有限公司) (formerly known as BYD Semiconductor Co., Ltd, 比亞迪半導體有限公司), a non-wholly owned subsidiary of the Company and a company incorporated in the PRC with limited liability;
“BYD Semiconductor Group”	BYD Semiconductor and its subsidiaries;
“China” or “PRC”	the People’s Republic of China, excluding, for the purpose of this circular only, Hong Kong, Macau Special Administrative Region, and Taiwan;
“Company”	BYD Company Limited, a joint stock company incorporated in the PRC with limited liability;
“Company Law”	Company Law of the PRC;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“CSRC”	The China Securities Regulatory Commission;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company which is scheduled to be held at the Conference Room, No. 3009, BYD Road, Pingshan District, Shenzhen, the PRC on Wednesday, 16 June 2021 at 10:00 a.m.;
“EGM Notice”	notice convening the EGM as set out on pages EGM-1 to EGM-3 of this circular;

DEFINITIONS

“Eligible Participants”	participants who are eligible to receive the Share Option(s) according the terms of the Subsidiary Share Option Scheme;
“Group”	the Company and its subsidiaries from time to time;
“H Share(s)”	ordinary overseas listed foreign invested share(s) with a nominal value of RMB1.00 each in the share capital of the Company which are listed on the Hong Kong Stock Exchange and traded in Hong Kong Dollar;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Latest Practicable Date”	28 May 2021, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication;
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	A Share(s) and H Share(s);
“Share Option(s)”	the right to the Eligible Participants to acquire certain number of RMB ordinary shares of BYD Semiconductor within certain period and subject to the terms and conditions of the Subsidiary Share Option Scheme;
“Shareholder(s)”	registered holder(s) of the Shares;
“Shenzhen Listing Rules”	the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange;
“Shenzhen Stock Exchange”	the Shenzhen Stock Exchange;
“Spin-off”	BYD Semiconductor’s proposed initial public offering of its RMB ordinary shares and listing on the ChiNext Board of the Shenzhen Stock Exchange upon completion of the issuance; and

DEFINITIONS

“Subsidiary Share Option Scheme”

the share option incentive scheme to be adopted by BYD Semiconductor, a summary of the principal terms of which are set out in the Appendix to this circular. The scheme is an amended and restated version based on the 2020 Share Option Incentive Scheme and the Appraisal Measure for the Implementation of the 2020 Share Option Incentive Scheme approved by the Company as the then sole shareholder of BYD Semiconductor on 6 May 2020 and by the board of directors of BYD Semiconductor on 3 December 2020

LETTER FROM THE BOARD



比亞迪股份有限公司
BYD COMPANY LIMITED

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1211)

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

Board of Directors:

Executive Director

Mr. Wang Chuan-fu

Non-executive Directors

Mr. Lv Xiang-yang

Mr. Xia Zuo-quan

Independent non-executive Directors

Mr. Cai Hong-ping

Mr. Zhang Min

Mr. Jiang Yan-bo

Registered Office:

LEGAL ADDRESS

No. 1 Yan'an Road

Kuichong Sub-district

Dapeng New District

Shenzhen

Guangdong Province

The PRC

**PRINCIPAL PLACE OF BUSINESS
IN HONG KONG**

Unit 1712, 17th Floor

Tower 2

Grand Central Plaza

No. 138 Shatin Rural Committee Road

New Territories

Hong Kong

31 May 2021

To the Shareholders

Dear Sir or Madam,

**PROPOSED SPIN-OFF AND LISTING OF BYD SEMICONDUCTOR ON THE
CHINEXT BOARD OF SHENZHEN STOCK EXCHANGE
PROPOSED ADOPTION OF SUBSIDIARY SHARE OPTION SCHEME
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

The purpose of this circular is to provide you with the information in connection with the resolutions to be proposed at the EGM to enable you to make a decision on whether to vote for or against the relevant resolutions at the EGM, and to give you the notice of the EGM.

LETTER FROM THE BOARD

2. PROPOSED SPIN-OFF AND LISTING OF BYD SEMICONDUCTOR ON THE CHINEXT BOARD OF SHENZHEN STOCK EXCHANGE

The Company's controlled subsidiary, BYD Semiconductor, intends to launch an initial public offering of its RMB ordinary shares and to be listed on the ChiNext Board of the Shenzhen Stock Exchange upon completion of the offering (hereinafter referred to as the "Spin-off"). After the Spin-off is completed, no material change will be made to the Company's equity structure and the Company will maintain its controlling rights over BYD Semiconductor.

The contents of the resolutions in relation to the Spin-off are set out below:

Resolution 1: Resolution in relation to the Spin-off and listing of BYD Semiconductor Company Limited on the ChiNext Board in compliance with the requirements under relevant laws and regulations

BYD Semiconductor Company Limited, the Company's controlled subsidiary, intends to launch an initial public offering of its RMB ordinary shares and to be listed on the ChiNext Board of the Shenzhen Stock Exchange upon completion of the offering. In accordance with *the Company Law of the People's Republic of China (hereinafter referred to as the "Company Law")*, *the Securities Law of the People's Republic of China (hereinafter referred to as the "Securities Law")*, *Several Provisions on the Pilot Program of Listed Companies' Spin-off of Subsidiaries for Domestic Listing (hereinafter referred to as the "Provisions on the Spin-off")* and other laws and regulations, as well as the provisions of normative documents, after careful self-inspection and demonstration of the actual situation of the Company and relevant matters, the Board believes that BYD Semiconductor is eligible for spin-off listing, and that the Spin-off conforms to the provisions of relevant laws, regulations and normative documents.

Resolution 2: Resolution in relation to the plan on the Spin-off and listing of BYD Semiconductor Company Limited on the ChiNext Board

The Board has considered and approved the plan on the Spin-off and listing of BYD Semiconductor Company Limited on the ChiNext Board. Upon completion of the Spin-off, no material change will be made to the Company's equity structure and the Company will maintain its controlling rights over BYD Semiconductor.

Following the Spin-off, BYD Semiconductor will carry on the R&D, production and sales of power semiconductors, intelligent control ICs, intelligent sensors and optoelectronic semiconductors. Looking forward, BYD Semiconductor, with ASPICE semiconductor as the core, will simultaneously promote the development of semiconductor business in the industrial, home appliances, new energy and consumer electronics and other fields, and is committed to growing into an efficient, intelligent and integrated new semiconductor supplier. The Spin-off will help BYD Semiconductor strengthen its capital strength, enhance its risk prevention capabilities, and thus improve overall competitiveness and profitability, and speed up its development. It will assist in seizing the opportunities of the rise of the domestic semiconductor industry to establish independent capital market platform and market-oriented incentive mechanism, and stimulate the vitality of the Company and facilitate the sustainable development of the business.

LETTER FROM THE BOARD

The initial plan for the Spin-off is as follows:

1. Listing location: ChiNext Board of the Shenzhen Stock Exchange.
2. Class of shares issued: Domestic listed RMB ordinary shares (A shares).
3. Par value of shares: RMB1.00.
4. Issuing target: Parties making price inquiries that conform to the relevant qualification requirements of China Securities Regulatory Commission (the “CSRC”) and other regulatory authorities and natural persons, legal persons and other institutional investors that have opened A-share security accounts in the Shenzhen Stock Exchange (except those prohibited by Chinese laws, regulations, rules and normative documents).
5. Listing time: BYD Semiconductor will issue the shares at an appropriate time after obtaining approval from the Shenzhen Stock Exchange and going through the offering registration procedures of the CSRC. The specific issuing date will be determined by the board of directors authorized by the general meeting of the shareholders of BYD Semiconductor after obtaining the approval from the Shenzhen Stock Exchange and going through the offering registration procedures of the CSRC.
6. Method of issuance: Combination of offline allotment and online capital subscription offering or other issuance methods approved by the CSRC and the Shenzhen Stock Exchange.
7. Issuing scale: The general meeting of shareholders of BYD Semiconductor authorizes the board of directors of BYD Semiconductor to determine the final number of issued shares in consultation with the principal underwriters based on the requirements of relevant regulatory authorities, the actual conditions of securities market, the amount of share capital before offering and the capital requirements of the fund-raising project.
8. Pricing method: The issuance price of shares will be determined by making inquiries to professional institutional investors, including securities companies registered with the Securities Association of China, fund management companies, trust companies, finance companies, insurance companies, eligible foreign investors and private fund managers. BYD Semiconductor and the principal underwriters may determine the offering price by means of preliminary inquiries or by means of accumulative bidding inquiry after the offering price range is determined through preliminary inquiries.
9. Other matters related to the offering: BYD Semiconductor will further confirm and adjust the strategic placement, use of raised funds, underwriting method, over-allotment option (if applicable) and other matters related to the offering based on the implementation of the offering plan, market conditions, policy regulation and the opinions of regulatory authorities.

LETTER FROM THE BOARD

Given the offering plan above is preliminary, the Spin-off and listing is still subject to the review and approval by the Shenzhen Stock Exchange and the registration procedures required by the CSRC. In order to promote the listing related work of BYD Semiconductor smoothly conducted, it is submitted to the general meeting of the Company for the grant authorisation to the Board and its authorised persons to decide or adjust the Spin-off and listing plan of BYD Semiconductor according to the specific circumstances.

Resolution 3: Resolution in relation to the proposal of the Spin-off and listing of BYD Semiconductor Company Limited on the ChiNext Board

The Board considered and approved *the Plan of BYD Company Limited on the Spin-off of the Subsidiary BYD Semiconductor Company Limited to be Listed on the ChiNext Board* prepared by the Company according to the Securities Law, Provisions on the Spin-off and other laws and regulations and relevant requirements of normative documents. The details of the Plan are set out in *the Plan of the Spin-off of the Subsidiary BYD Semiconductor Company Limited to be Listed on the ChiNext Board* that disclosed on the website of www.cninfo.com.cn on 12 May 2021.

Resolution 4: Resolution in relation to the Spin-off and listing of BYD Semiconductor Company Limited on the ChiNext Board in compliance with “Several Provisions on the Pilot Program of Listed Companies’ Spin-off of Subsidiaries for Domestic Listing” (《上市公司分拆所屬子公司境內上市試點若干規定》)

The Company intends to spin off its controlled subsidiary BYD Semiconductor to be listed on the ChiNext Board of the Shenzhen Stock Exchange. After the prudent evaluation made by the Board, the Spin-off meets the relevant requirements of the Company’s spin-off subsidiary to be listed in China under *the Provisions on the Spin-off* and is feasible. The details are as follows:

(I) *The stock of the listed company has been listed in China for three years*

It has been three years since the Company launched its initial public offering in 2011 and listed on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange, which complies with the requirements of “the stock of the listed company has been listed in China for three years”.

(II) *The listed company has been profitable consecutively in the last three accounting years, and the cumulative net profits attributable to shareholders of the listed company in the last three accounting years are not less than RMB600 million after deducting the net profits of the subsidiary to be spun off to which the listed company is entitled based on equity (net profits as mentioned in these Provisions shall be the amount before or after the deduction of non-recurring profits and losses, whichever is lower)*

According to the Ernst & Young (2019) Shen Zi No. 60592504_H01 Audit Report, Ernst & Young (2020) Shen Zi No. 60592504_H01 Audit Report and Ernst & Young (2021) Shen Zi No. 60592504_H01 Audit Report issued by Ernst & Young Hua Ming LLP

LETTER FROM THE BOARD

(Special General Partnership) (hereinafter referred to as “**Ernst & Young**”) as well as the Annual Reports disclosed by the Company, the net profits attributable to the shareholders of the Company in 2018, 2019 and 2020 (net profits shall be the amount before or after the deduction of non-recurring profits and losses, whichever is lower) were RMB586 million, RMB231 million and RMB2,954 million, respectively, and the Company has been profitable consecutively in the last three accounting years. After deducting the net profit of BYD Semiconductor by equity, the net profit attributable to the shareholders of the Company in the recent three accounting years (net profits shall be the amount before or after the deduction of non-recurring profits and losses, whichever is lower) is RMB553 million, RMB201 million and RMB2,931 million, respectively. After deducting the net profit of BYD Semiconductor by equity in the last three accounting years, the net profits attributable to the shareholders of the Company is RMB3,685 million, with an accumulative total of not less than RMB600 million (net profits shall be the amount before or after the deduction of non-recurring profits and losses, whichever is lower).

(III) In the consolidated statements of the listed company for the last accounting year, the net profits of the subsidiary to be spun off to which the listed company is entitled based on equity shall not exceed 50% of the net profits attributable to shareholders of the listed company; In the consolidated statements of the listed company for the last accounting year, the net assets of the subsidiary to be spun off to which the listed company is entitled based on equity shall not exceed 30% of the net assets attributable to shareholders of the listed company

According to the Ernst & Young Hua Ming (2021) Shen Zi No. 60592504_H01 Audit Report issued by Ernst & Young for the Company and the 2020 Annual Report disclosed by the Company, the net profits attributable to the shareholders of the Company in 2020 were RMB2,954 million, and according to the unaudited financial data of BYD Semiconductor, the net profit of BYD Semiconductor in 2020 was RMB32 million (net profits shall be the amount before or after the deduction of non-recurring profits and losses, whichever is lower). The proportion of the net profits (net profits shall be the amount before or after the deduction of non-recurring profits and losses, whichever lower) of BYD Semiconductor in the consolidated statement of the Company in 2020 by equity to the net profits attributable to the shareholders of the Company shareholders was 0.78%, not more than 50%.

The net assets attributable to the shareholders of the Company at the end of 2020 were RMB56,874 million, and according to the unaudited financial data of BYD Semiconductor, the net assets of BYD Semiconductor at the end of 2020 were RMB3,187 million. The proportion of the net assets of BYD Semiconductor in the consolidated statement of the Company in 2020 by equity to the net assets attributable to the shareholders of the Company was 4.05%, not more than 30%.

LETTER FROM THE BOARD

(IV) None of the listed company's funds or assets are occupied by its controlling shareholder, actual controller or its related parties, and the listed company has no other significant connected transactions that damage the company's interests. The listed company and its controlling shareholder or actual controller have not received any administrative punishment imposed by CSRC in the most recent 36 months; and the listed company and its controlling shareholder or actual controller have not been publicly condemned by the stock exchange in the most recent 12 months. The financial accounting reports of the listed company for the last year and period have been issued with an unqualified audit report from certified public accountants

None of the Company's funds or assets are occupied by its controlling shareholder, actual controller or its related parties, and the Company has no other significant connected transactions that damage the Company's interests; the Company and controlling shareholder or actual controller have not received any administrative punishment imposed by the CSRC in the most recent 36 months; the Company and controlling shareholder or actual controller have not been publicly condemned by the stock exchange in the most recent 12 months; The Ernst & Young (2021) Shen Zi No. 60592504_H01 Audit Report issued by Ernst & Young on the Company's 2020 annual financial statements is a standard and unqualified audit report.

(V) The business and assets in which the issued shares and raised funds of the listed company have been invested in the last three accounting years shall not be used as the main business and assets of the subsidiary to be spun off, unless the aggregate raised funds used by such subsidiary in the last three accounting years do not exceed 10% of its net assets; the business and assets purchased by the listed company through material asset restructuring in the last three accounting years may not be used as the main business and assets of the subsidiary to be spun off. If a subsidiary of a listed company mainly provides financial services, the listed company shall not spin off the subsidiary for listing

The business and assets in which the issued shares and raised funds of the Company have been invested in the last three accounting years, and the business and assets purchased by the Company through material asset restructuring in the last three accounting years were not used as the main business and assets of BYD Semiconductor; BYD Semiconductor is mainly engaged in R&D, production and sales of power semiconductors, intelligent control ICs, intelligent sensors and optoelectronic semiconductors, and is not a company mainly engaged in financial business.

(VI) The aggregate shares of the subsidiary to be spun off held by the directors, senior executives and its related parties of a listed company shall not exceed 10% of the total capital stock of the subsidiary before the spin-off and listing. The aggregate shares of the subsidiary to be spun off held by the directors, senior executives and its related parties of the subsidiary to be spun off shall not exceed 30% of the total capital stock of the subsidiary to be spun off before the spin-off and listing

As of the Latest Practicable Date, the Company held 72.3% of shares in BYD Semiconductor, the proportion of aggregate shares held by the directors, senior executives of the Company and its related parties does not exceed 10% of the total capital stock of

LETTER FROM THE BOARD

BYD Semiconductor before the Spin-off; The proportion of aggregate shares held by the directors, senior executives and its related parties of BYD Semiconductor does not exceed 30% of the total capital stock of BYD Semiconductor before the Spin-off.

(VII) A listed company shall fully disclose and explain that the Spin-off is conducive to focusing on its main business and enhancing its independence. After the Spin-off, the listed company and subsidiary to be spun off shall comply with the regulatory requirements of the CSRC and the stock exchange on horizontal competition and connected transactions, and shall be independent of each other in terms of assets, finance and institutions. Senior executives and financial personnel do not hold positions both at the listed company and subsidiary, and there are no other serious defects in respect of independence

1. The Spin-off is conducive to focus on the main business and enhance the independence of the listed company

The Company is mainly engaged in the automotive business of new energy vehicles and traditional oil-fueled vehicles, mobile phone parts and assembly business, rechargeable batteries and photovoltaic business, and actively develops urban rail transportation business segment, while the Company's subsidiary, BYD Semiconductor is mainly engaged in R&D, production and sales of power semiconductors, intelligent control ICs, intelligent sensors and optoelectronic semiconductors, with its main products covering IGBT, SiC MOSFET, MCU, battery protection IC, AC-DC IC, CMOS image sensors, embedded fingerprint recognition, electromagnetic and pressure sensors, LED light source, LED lighting, LED display and other products. After the Spin-off, the Company and other subsidiaries will continue to pool resources on developing businesses beyond the main business of BYD Semiconductor, which will further enhance the independence of the Company.

2. After the Spin-off, both the Company and the subsidiaries to be spun off are in compliance with the regulatory requirements of the CSRC and the stock exchanges on horizontal competition and connected transactions

(1) Horizontal competition

The Company's subsidiary BYD Semiconductor is mainly engaged in R&D, production and sales of power semiconductors, intelligent control ICs, intelligent sensors and optoelectronic semiconductors, with its main products covering IGBT, SiC MOSFET, MCU, battery protection IC, AC-DC IC, CMOS image sensors, embedded fingerprint recognition, electromagnetic and pressure sensors, LED light source, LED lighting, LED display and other products. There are great differences with other business segments of the Company (excluding BYD Semiconductor) in terms of process technology, product positioning, application scenarios, etc., and there is no competition between the Company and other companies under its control and the main business of BYD Semiconductor.

LETTER FROM THE BOARD

In order to avoid the horizontal competition after the Spin-off and protect the interests of small and medium investors, the Company makes the following written commitments:

- “1. The Company undertakes to take BYD Semiconductor and its subsidiaries as the sole entities that engage R&D, production and sales of power semiconductors, intelligent control ICs, intelligent sensors and optoelectronic semiconductors within the scope of the Company and its controlled enterprises;
2. The Company undertakes that during the period the Company acted as the controlling shareholder of BYD Semiconductor, the Company and the companies under its control (excluding BYD Semiconductor and its subsidiaries, similarly hereinafter) will not to engage, in the form of direct or indirect control, in business the same or similar to the one that conducted by BYD Semiconductor and its subsidiaries within or outside China; if the BYD Semiconductor considers the new business being or to be engaged by the Company and other companies under its control may be in competition with the business of BYD Semiconductor and its subsidiaries, the Company and other companies under its control will negotiate for settlement with BYD Semiconductor based on the principle of preference in BYD Semiconductor and its subsidiaries;
3. The Company undertakes, during the period the Company acted as the controlling shareholder of BYD Semiconductor, if the Company and other companies under its control obtain any future business opportunities from any third party that constitute or may constitute competition with that of BYD Semiconductor and its subsidiaries, the Company and other companies under its control will immediately notify BYD Semiconductor and make every effort to transfer the business opportunities to BYD Semiconductor and its subsidiaries;
4. The Company undertakes that it will not take advantage of its position as the controlling shareholder of BYD Semiconductor to damage the legitimate rights and interests of BYD Semiconductor and other shareholders (especially minority shareholders) of BYD Semiconductor;
5. The undertakings above shall be effective since their date of issuance and shall be irrevocable until either of the following occurrence: (1) the Company ceases to be the controlling shareholder of BYD Semiconductor; (2) BYD Semiconductor terminates its listing on Shenzhen Stock Exchange.

LETTER FROM THE BOARD

If the Company were in violation of the undertakings above, the Company shall make indemnity against the loss of related parties in comprehensive, timely and full amount.”

In order to avoid the horizontal competition after the Spin-off and protect the interests of small and medium investors, Mr. Wang Chuan-fu, the actual controller, makes the following written commitments:

- “1. The undertaking party undertakes to take BYD Semiconductor and its subsidiaries as the sole entities that engage R&D, production and sales of power semiconductors, intelligent control ICs, intelligent sensors and optoelectronic semiconductors within the scope of the undertaking party and his controlled enterprises;
2. The undertaking party undertakes that during the period the undertaking party acted as the actual controller of BYD Semiconductor, the undertaking party and the companies under his control (excluding BYD Semiconductor and its subsidiaries, similarly hereinafter) will not to engage, in the form of direct or indirect control, in business the same or similar to the one that conducted by BYD Semiconductor and its subsidiaries within or outside China; if the BYD Semiconductor considers the new business being or to be engaged by the undertaking party and other companies under its control may be in competition with the business of BYD Semiconductor and its subsidiaries, the undertaking party and other companies under his control will negotiate for settlement with BYD Semiconductor based on the principle of preference in BYD Semiconductor and its subsidiaries;
3. The undertaking party undertakes, during the period the undertaking party acted as the actual controller of BYD Semiconductor, if the undertaking party and other companies under his control obtain any future business opportunities from any third party that constitute or may constitute competition with that of BYD Semiconductor and its subsidiaries, the undertaking party and other companies under his control will immediately notify BYD Semiconductor and make every effort to transfer the business opportunities to BYD Semiconductor and its subsidiaries;
4. The undertaking party undertakes that he will not take advantage of its position as the actual controller of BYD Semiconductor to damage the legitimate rights and interests of BYD Semiconductor and other shareholders (especially minority shareholders) of BYD Semiconductor;

LETTER FROM THE BOARD

5. The undertakings above shall be effective since their date of issuance and shall be irrevocable until either of the following occurrence: (1) the undertaking party ceases to be the actual controller of BYD Semiconductor; (2) BYD Semiconductor terminates its listing on Shenzhen Stock Exchange.

If the undertaking party were in violation of the undertakings above, the undertaking party shall make indemnity against the loss of related parties in comprehensive, timely and full amount.”

To sum up, following the Spin-off, there is no horizontal competition between the Company and BYD Semiconductor that will have material adverse effects, and the spin-off listing complies with the requirements of the CSRC and the Shenzhen Stock Exchange on the horizontal competition.

(2) Connected transactions

After the Spin-off of BYD Semiconductor, the Company will still maintain control over BYD Semiconductor, which will remain a subsidiary of the Company in the consolidated statements, and the Company’s connected transactions will not change materially as a result of the Spin-off of BYD Semiconductor.

For BYD Semiconductor, the Company is still the controlling shareholder of BYD Semiconductor following the Spin-off, and the connected transactions between BYD Semiconductor and the Company will be charged in the annual amount of related party transactions of BYD Semiconductor. Among which, BYD Semiconductor mainly purchased DBC alumina oxide ceramics, multilayer ceramic chip capacitors and other low-valued consumables from the Company and its related parties, the price of which were basically consistent with those of external suppliers and were fair; BYD Semiconductor mainly sold power semiconductors, optoelectronic semiconductors and intelligent sensors to the Company and its related parties and provided related services such as energy contract management services to them. Such connected transactions were mainly due to the roles of the Company as the earliest mover of new energy automobile in China and BYD Semiconductor as a supplier of overall solution for automotive grading semiconductor, which enables the continuous iterative upgrade of automotive grading power semiconductors self-developed by BYD Semiconductor under the support by whole vehicles appliance platform of BYD, thus BYD Semiconductor will continue to sell related products to the Company and its related parties.

LETTER FROM THE BOARD

Save as the aforesaid, connected transactions between BYD Semiconductor and the Company also included the related guarantee, property leasehold and others provided by the Company to BYD Semiconductor, connected transactions above were carried out for practical business needs and with reasonable business background, and were absent from circumstances that seriously affected the independence or were obviously unfair.

After the Spin-off, the Company will still guarantee the compliance, rationality and fairness of the connected transactions with BYD Semiconductor and maintain the independence of the Company and BYD Semiconductor, and will not take advantage of the connected transactions to adjust the financial indicators so as to damage the interests of the Company and BYD Semiconductor.

In order to minimize and standardize the connected transactions after the Spin-off, the Company undertakes in writing as follows:

- “1. The Company will fully respect the independent legal person status of BYD Semiconductor, protect the rights of BYD Semiconductor to operate independently and make independent decisions;
2. The Company warrants that the Company and other companies or organisations under its control (excluding BYD Semiconductor and companies under its control, hereinafter referred to as “**related companies**”) undertake to avoid and minimize unnecessary connected transactions between them and the issuer;
3. The Company and the related companies will strictly follow the requirements under the Company Law of the People’s Republic of China and other laws, regulations, rules, other normative documents as well as relevant regulations under the Articles of Association of BYD Semiconductor Company Limited (herein after referred to as “**Articles of Association**”) when fulfilling the obligation to abstain from voting on the connected transactions of the Company and related companies about their business affairs at the board meeting of BYD Semiconductor and the general meeting, or procuring the directors (if any) nominated by the Company and related companies to fulfilling the obligation to abstain from voting;
4. If there were necessary and inevitable connected transactions among BYD Semiconductor, the Company and related companies during future operations, the Company will procure such transactions to strictly follow the requirements under State’s relevant laws and regulations, Articles of Association and CSRC when undertaking such procedures by signing the legal agreement with BYD

LETTER FROM THE BOARD

Semiconductor, timely fulfilling information disclosure obligations and guaranteeing all to be carried out in accordance with normal commercial conditions. In addition, the Company and the related companies will not take advantage of its position as the controlling shareholder or related parties to require BYD Semiconductor to offer more favorable conditions to a third party in any fair trade under the same circumstance than to them, and not to damage the legitimate rights and interests of BYD Semiconductor and other shareholders through connected transactions;

5. The Company and related companies will conduct every connected transaction signed by BYD Semiconductor strictly and in good faith; the Company will not seek benefits or gains beyond those agreed in such transactions from BYD Semiconductor;
6. The Company and related companies will not, in any way, illegally occupy the funds and assets of BYD Semiconductor and its subordinate companies, nor will they require BYD Semiconductor and its subordinate companies to make guarantee for the Company and related companies in relation to the violation of regulations;
7. The undertakings above shall be effective since their date of issuance and shall be irrevocable until the Company ceases to be the controlling shareholders of BYD Semiconductor.

If the Company were in violation of the undertakings above, the Company shall make indemnity against the loss of related parties in comprehensive, timely and full amount.”

In order to minimize and standardize the connected transactions after the Spin-off, Mr. Wang Chuan-fu, the actual controller, makes the following written commitments:

- “1. The undertaking party will fully respect the independent legal person status of BYD Semiconductor, protect the rights of BYD Semiconductor to operate independently and make independent decisions;
2. The undertaking party warrants that the undertaking party and other companies or organisations under its control (excluding BYD Semiconductor and companies under its control, hereinafter referred to as “**related companies**”) undertake to avoid and minimize unnecessary connected transactions between them and the issuer;

LETTER FROM THE BOARD

3. The undertaking party and the related companies will strictly follow the requirements under the Company Law of the People's Republic of China and other laws, regulations, rules, other normative documents as well as relevant regulations under the Articles of Association of BYD Semiconductor Company Limited (herein after referred to as "**Articles of Association**") when fulfilling the obligation to abstain from voting on the connected transactions of the undertaking party and related companies about their business affairs at the board meeting of BYD Semiconductor and the general meeting, or procuring the directors (if any) nominated by the undertaking party and related companies to fulfilling the obligation to abstain from voting;
4. If there were necessary and inevitable connected transactions among BYD Semiconductor, the Company and related companies during future operations, the undertaking party will procure such transactions to strictly follow the requirements under State's relevant laws and regulations, Articles of Association and CSRC when undertaking such procedures by signing the legal agreement with BYD Semiconductor, timely fulfilling information disclosure obligations and guaranteeing all to be carried out in accordance with the normal commercial conditions. In addition, the undertaking party and the related companies will not take advantage of its position as the controlling shareholder or related parties to require BYD Semiconductor to offer more favorable conditions to a third party in any fair trade under the same circumstance than to them, and not to damage the legitimate rights and interests of BYD Semiconductor and other shareholders through connected transactions;
5. The undertaking party and related companies will conduct every connected transactions signed by BYD Semiconductor strictly and in good faith; the undertaking party will not seek benefits or gains beyond those agreed in such transactions from BYD Semiconductor;
6. The undertaking party and related companies will not, in any way, illegally occupy the funds and assets of BYD Semiconductor and its subordinate companies, nor will they require BYD Semiconductor and its subordinate companies to make guarantee for the undertaking party and related companies in relation to the violation of regulations;
7. The undertakings above shall be effective since their date of issuance and shall be irrevocable until the undertaking party ceases to be the actual controller of BYD Semiconductor.

If the undertaking party were in violation of the undertakings above, the undertaking party shall make indemnity against the loss of related parties in comprehensive, timely and full amount."

LETTER FROM THE BOARD

To sum up, following the Spin-off, there is no connected transaction between the Company and BYD Semiconductor that seriously affects the independence or is manifestly unfair, and the spin-off listing complies with the requirements of the CSRC and the Shenzhen Stock Exchange on connected transactions.

3. The listed company and the subsidiary to be spun off are independent of each other in terms of assets, finance and organization

The Company and BYD Semiconductor have independent operational assets; the Company has established independent financial department and financial management system, and carries out independent account set-up, accounting and management. The organization of BYD Semiconductor is independent from the Company and other related parties; the Company and BYD Semiconductor have robust functional departments and internal management organizations, which independently exercise their functions and powers, and there is no mix-up between BYD Semiconductor and the Company and other business enterprises under its control. The Company does not occupy or dominate the assets of BYD Semiconductor or intervene in the operation and management of its assets. The Company and BYD Semiconductor will maintain assets, financial and institutional independence.

4. Senior executives and financial personnel do not hold positions both at the listed company and the subsidiary

BYD Semiconductor has its own independent senior executives and financial personnel, and there is no alternate-appointment with the Company's senior executives and financial personnel. After the Spin-off, the Company and BYD Semiconductor will remain the independence of their senior executives and financial personnel without holding positions both at the listed company and subsidiary.

5. There are no other serious deficiencies in independence

The Company and BYD Semiconductor are independent and complete from each other in terms of assets, and remain independent in finance, organization, personnel and business. The Company and BYD Semiconductor respectively have a complete business system and the ability to operate independently in the market, free from other serious deficiencies in independence.

To sum up, the listing of BYD Semiconductor, a subsidiary of the Company, on the ChiNext Board is in line with the relevant requirements of the *Provisions on the Spin-off*.

LETTER FROM THE BOARD

Resolution 5: Resolution in relation to the Spin-off and listing of BYD Semiconductor Company Limited on the ChiNext Board which benefits the safeguarding of legal rights and interests of shareholders and creditors

Following the Spin-off, from the perspective of performance enhancing, the Board is expected that the development and innovation of BYD Semiconductor will be further accelerated, and its growth in performance will be reflected synchronously to the overall performance of the Company, so as to improve the profitability and robustness of the Company; From the perspective of value discovery, the Spin-off of BYD Semiconductor is conducive to the full release of its intrinsic value, the value of the equity of BYD Semiconductor held by the Company is expected to be further enhanced, and the liquidity will also be significantly improved; From the perspective of structural optimization, the Spin-off of BYD Semiconductor will help to further broaden the financing channels, improve the overall financing efficiency of the Company, decrease the overall asset-liability ratio and enhance the comprehensive strength of the Company. In view of this, the Company's proposed Spin-off of BYD Semiconductor to be listed on the ChiNext Board will produce positive effects on the interests of the Company's shareholders (especially minority shareholders), creditors and other interested parties.

Resolution 6: Resolution in relation to the ability to maintain independence and sustainable operation of the Company

The Board believes, the Company's spin-off of BYD Semiconductor to be listed on the ChiNext Board of the Shenzhen Stock Exchange complies with the relevant requirements of the *Provisions on the Spin-off*. The Company and BYD Semiconductor maintain independence in terms of personnel, assets, finance, organization, business and other aspects, and conduct independent accounting and independently assume responsibilities and risks. The listing of BYD Semiconductor on the ChiNext Board will not produce any adverse impact on the independent operation of other business segments of the Company, and will not affect the independence of the Company.

The Company will appoint independent financial consultants, law firms, accounting firms with relevant securities business qualifications and other securities service agencies to issue opinions on the Spin-off. The independent financial consultants will undertake the following tasks (including but not limited to): conduct due diligence and prudent verification on whether the Company's Spin-off complies with *the Provisions on the Spin-off*, and whether there are misrepresentation, misleading statements or major omissions in the relevant information disclosed by the Company, and issue verification opinions and make public announcements; For the remaining time of the year in which BYD Semiconductor is listed on the ChiNext Board and for the following full accounting year, continuously supervise the Company to maintain its independent listing status, and focus on the independent operation status and going-concern ability of the Company's core assets and businesses, and supervise the Company to fulfill the obligations of information disclosure by law with regard to the changes in the assets and financial position of its subsidiaries that will produce important effects on the Company's rights and interests, as well as other important information that may have material impact on the Company's share price.

LETTER FROM THE BOARD

Given that various businesses of the Company maintain good development trend and that BYD Semiconductor maintains business independence from other business segments of the Company, the listing of BYD Semiconductor will not generate any material impact on the going concern of other business segments of the Company. Moreover, upon the completion of the Spin-off, the Company will still be the controlling shareholder of BYD Semiconductor, and the relationship of control and consolidated financial statement will remain unchanged, and the performance of BYD Semiconductor will be synchronously reflected in the overall performance of the Company; In the meantime, the Spin-off of BYD Semiconductor will help to further broaden the financing channels, improve the overall financing efficiency of the Company, decrease the overall asset-liability ratio and enhance the comprehensive strength of the Company.

To sum up, following the listing of BYD Semiconductor, the Company can continue to maintain its independence and going concern ability.

Resolution 7: Resolution in relation to the affirmation of capability of BYD Semiconductor Company Limited to implement regulated operation

The Board believes:

- (1) BYD Semiconductor has set up the general meeting of shareholders, the board of directors, the board of supervisors and four special committees under the board of directors, namely the Audit Committee, the Nominating Committee, the Compensation and Appraisal Committee and the Strategy Committee, and has appointed senior executives including the general manager, deputy general manager, chief financial officer and the secretary of the board of directors in accordance with the provisions of *the Company Law* and the current *Articles of Association*. BYD Semiconductor has a sound organizational structure, the personnel and responsibilities of each organization have been clearly defined, and a standardized operation system has also been established;
- (2) BYD Semiconductor has considered and approved *the Articles of Association of BYD Semiconductor Company Limited, the Rules of Procedure for the General Meeting of Shareholders of BYD Semiconductor Company Limited, the Rules of Procedure for the Board of Directors of BYD Semiconductor Company Limited and the Rules of Procedure for the Board of Supervisors of BYD Semiconductor Company Limited* at the establishment meeting and the first general meeting of shareholders. These rules of procedure are in line with the requirements of relevant laws and regulations on the normative operation of BYD Semiconductor;
- (3) According to *the Rules for the General Assemblies of Shareholders of Listed Companies, the Code of Corporate Governance of Listed Companies, the Guidelines on the Bylaws of Listed Companies, the Rules Governing the Listing of Shares on the ChiNext Market of Shenzhen Stock Exchange* and other relevant laws, regulations and normative documents, BYD Semiconductor has formulated *the Articles of*

LETTER FROM THE BOARD

Association of BYD Semiconductor Company Limited (Draft), the Rules of Procedure for the general meeting of shareholders of BYD Semiconductor Company Limited (Draft), the Rules of Procedure for the board of directors of BYD Semiconductor Company Limited (Draft), the Rules of Procedure for the Board of Supervisors of BYD Semiconductor Company Limited (Draft) and other relevant systems, which will be approved by the general meeting of shareholders of BYD Semiconductor and implemented after its listing;

- (4) Since the date of the overall transformation of BYD Semiconductor into a joint stock limited company, the convening, voting procedures and resolutions of all the general meetings of shareholders, the board of directors and the board of supervisors of BYD Semiconductor are in line with the applicable laws, regulations and the current Articles of Association of BYD Semiconductor, and are legal, compliant, true and effective.

To sum up, BYD Semiconductor has the corresponding standard operating capability.

Resolution 8: Resolution in relation to the explanation of the completeness of and compliance with statutory procedures of the Spin-off and the validity of legal documents submitted

The Board believes, in accordance with *the Company Law, the Securities Law, Provisions on the Spin-off* and other laws, regulations and normative documents as well as the relevant provisions of the Articles of Association of the Company, the necessary legal procedures have been fulfilled by the Company for matters related to the Spin-off at this stage. The legal procedures performed for the Spin-off are complete and in line with relevant laws, regulations, normative documents and the relevant provisions of the Articles of Association of the Company, and the legal documents submitted to the Shenzhen Stock Exchange are legal and effective.

The Board and all the directors intend to make the following statements and warranties regarding the relevant legal documents to be submitted for the Spin-off: “Misrepresentation, misleading statements or major omissions are absent in the legal documents submitted by the Company for the Spin-off. The Board and all the directors of the Company will bear individual and joint legal liabilities for the authenticity, accuracy and integrity of the aforementioned documents.”

Resolution 9: Resolution in relation to the analysis on the objectives, commercial reasonableness, necessity and feasibility of the Spin-off

The Board has analyzed the purpose, commercial reasonableness and necessity of the Spin-off as follows:

The Spin-off will support the Company and BYD Semiconductor in focusing on their main business and enhancing their independence, which is of great significance to the long-term development of the Company.

LETTER FROM THE BOARD

(1) Enhance core competitiveness and deepen industrial layout

The Spin-off is conducive to enhancing the brand recognition and market influence of BYD Semiconductor, maintaining the enterprise's innovation vitality, enhancing its core competitiveness, and strengthening the development and growth of its business segments. The enhancement of BYD Semiconductor's core competitiveness will help strengthen its position in the industry, market share and profitability, deepen its strategic layout in the automotive, industrial and consumer electronics fields, while further improving the Company's asset quality and risk prevention capabilities, enhance the Company's comprehensive advantages, and promote the long-term sustainable and healthy development.

(2) Broaden financing channels and enhance capital strength

The listing will provide BYD Semiconductor with independent fund-raising platforms, allowing it to directly obtain equity or debt financing from the capital market to fund its existing and future business expansion needs, expand financing channels, improve financing flexibility and financing efficiency, so as to effectively minimize the cost of capital, improve business and financial performance, providing sufficient fund guarantee for the subsequent development of BYD Semiconductor.

(3) Optimize the corporate governance structure and improve operating efficiency

Following the Spin-off, BYD Semiconductor will be able to fully reflect its potential value in the capital market and further optimize the corporate governance structure in virtue of the capital market. After independently entering the capital market, BYD Semiconductor will directly accept the testing from the capital market, and improve corporate governance from the shareholder structure and board level after introducing new shareholders and independent directors through listing. The Spin-off is conducive to optimize the governance structure of BYD Semiconductor, stimulate the enthusiasm and creativity of its management personnel, and thus improve the operating performance of the enterprise.

(4) Release the intrinsic value and maximize the interests of all shareholders

The Spin-off will help improve the operational and financial transparency and corporate governance level of BYD Semiconductor, and provide shareholders and other potential investors with a clearer picture of the business and financial position of the Company and BYD Semiconductor, and is conducive to the reasonable valuation of different businesses of the Company by the capital market, so that the value of the Company's high-quality assets can be fully reflected in the capital market, and the interests of all shareholders can be maximized.

The Spin-off complies with the relevant requirements of *Provisions on the Spin-off* on the listing of the subsidiaries of the Company in China and is feasible.

LETTER FROM THE BOARD

Resolution 10: Resolution in relation to the authorisation by the general meeting to the board of directors and its authorised persons to deal with matters relating to the Spin-off and listing

The Board agrees to request the general meeting to authorizes the Board and its authorized personnel to handle all matters related to the listing of BYD Semiconductor on the ChiNext Board as follows:

- (1) Authorize the Board and its authorized personnel to fully exercise the shareholder's rights in BYD Semiconductor on behalf of the Company and to make such resolutions (except for matters that must be decided by the general meeting of Shareholders as required by laws and regulations) as shall be made by the general meeting of shareholders of the Company in relation to the matters of the listing of BYD Semiconductor (including possible introduction of strategic investors for listing purposes).
- (2) Authorize the Board and its authorized personnel to adjust and change all matters related to the listing and relevant plans as the case may be.
- (3) Fully authorize the Board and its authorized personnel to handle the matters related to the application submitted to the CSRC, the Shenzhen Stock Exchange and other relevant departments regarding all matters related to the listing.
- (4) Authorize the Board and its authorized personnel to decide other specific matters related to the various matters in the listing, including but not limited to engaging relevant intermediary agencies, signing, submitting and receiving necessary agreements and legal documents, and disclosing relevant information as stipulated in the applicable supervisory regulations.

The above authorizations are valid for 24 months, counting from the date on which the resolution is considered and approved at the general meeting of the Company.

3. PROPOSED ADOPTION OF SUBSIDIARY SHARE OPTION SCHEME

Reference is made to the announcement of the Company dated 11 May 2021 in relation to the approval of the Board to adopt the Subsidiary Share Option Scheme, the contents of the resolution are set out below:

Resolution 11: Resolution in relation to the proposed share option scheme of BYD Semiconductor Company Limited

In order to further establish and improve the incentive mechanism of the Company, fully arouse the enthusiasm of the senior management and core personnel of its subsidiary BYD Semiconductor, and retain and motivate talents, and allow all parties to focus on the long-term development of BYD Semiconductor and jointly promote its sustainable development, on the

LETTER FROM THE BOARD

premise of fully protecting the interests of the shareholders, the Board, upon audition, agreed to implement the 2020 Share Option Scheme of BYD Semiconductor Company Limited under the principle of benefits being in proportion to contributions, and in accordance to the Company Law and other relevant laws, regulations and normative documents as well as the Articles of Association of BYD Semiconductor Company Limited, taking into account the compensation system, performance appraisal system and other management systems currently implemented.

BYD Semiconductor is a non-wholly owned subsidiary of the Company, and is owned as to approximately 72.30% by the Company and approximately 27.70% by other 44 investors as at the Latest Practicable Date. BYD Semiconductor is principally engaged in the business of development, production and sale of power semiconductors (功率半導體), intelligent control integrated circuits (智能控制集成電路), intelligent sensors (智能傳感器) and optoelectronic semiconductors (光電半導體).

The purpose of the Subsidiary Share Option Scheme is to further establish and improve the incentive mechanism of BYD Semiconductor, fully arouse the enthusiasm of the directors, senior management and core personnel of BYD Semiconductor, and retain and motivate talents, enhance the close integration of the interests of the directors, senior management and core personnel of BYD Semiconductor, strengthen the corporate cohesive force, and allow all parties to focus on the long-term development of BYD Semiconductor and jointly promote its sustainable development. On the premise of fully protecting the interests of the shareholders of BYD Semiconductor, the Subsidiary Share Option Scheme has been formulated under the principle of benefits being in proportion to contributions, and in accordance to the *Company Law* and other relevant laws, regulations and normative documents as well as the Articles of Association of BYD Semiconductor, taking into account the compensation system, performance appraisal system and other management systems currently implemented by BYD Semiconductor.

The way of equity incentive by BYD Semiconductor is through share options and the source of the shares is the issuance of RMB ordinary shares in BYD Semiconductor, not the shares of the Company. The number of shares of BYD Semiconductor in respect of which the Share Options involved shall be 33,088,235 (representing 7.353% of the registered share capital of BYD Semiconductor as at the Latest Practicable Date) and, the cumulative total number of shares of BYD Semiconductor involved under the Subsidiary Share Option Scheme and all other schemes of BYD Semiconductor shall not exceed 10% of the total share capital of BYD Semiconductor in issue on the date of approval of the Subsidiary Share Option Scheme at the EGM by the Shareholders.

There are 36 participants in the Subsidiary Share Option Scheme, including directors (excluding independent non-executive directors), senior management and key personnel (but excluding supervisors) of BYD Semiconductor. All Eligible Participants must be in the employment and had entered into corresponding labor or employment contract with the BYD Semiconductor Group during the appraisal period of the Subsidiary Share Option Scheme. The aforesaid 36 participants are core developers, technicians and management personnel of BYD

LETTER FROM THE BOARD

Semiconductor and are carefully selected by the board of directors of BYD Semiconductor having considered, among others, their work performance, expertise and contribution to BYD Semiconductor. Such participants are also carefully verified to be eligible incentive participants by the supervisors of BYD Semiconductor in accordance with the terms of the Subsidiary Share Option Scheme. The Subsidiary Share Option Scheme is tailored to be an one-off incentive arrangement for the aforesaid 36 participants only. None of the 36 incentive participants of the Subsidiary Share Option Scheme is a connected person at the Company level. In accordance with the terms of the Subsidiary Share Option Scheme, Share Options shall be granted to the incentive participants within 60 days after the Subsidiary Share Option Scheme is considered and approved (i.e. before the expected completion of the proposed spin-off and separate listing of BYD Semiconductor on the Shenzhen Stock Exchange), and no further Share Options will be granted thereafter.

A summary of the principal terms of the Subsidiary Share Option Scheme is set out in the Appendix to this circular. A copy of the Subsidiary Share Option Scheme will be available for inspection during normal business hours at Unit 1712, 17th Floor, Tower 2 Grand Central Plaza, No. 138 Shatin Rural Committee Road, New Territories, Hong Kong during the 14-day period immediately preceding the EGM (including the date of the EGM) and at the EGM.

In addition to the summary of the principal terms of the Subsidiary Share Option Scheme in Appendix, as confirmed by the board of directors of BYD Semiconductor, in order to comply with the relevant requirements of Chapter 17 of the Listing Rules, the other contents confirmed and/or clarified by BYD Semiconductor in relation to the Subsidiary Share Option Scheme are set out as below:

- (1) as at the Latest Practicable Date, other than the Subsidiary Share Option Scheme, BYD Semiconductor did not have any other option scheme. The cumulative total number of shares of BYD Semiconductor involved under the Subsidiary Share Option Scheme and all other schemes of BYD Semiconductor shall not exceed 10% of the total share capital of BYD Semiconductor in issue on the date of approval of the Subsidiary Share Option Scheme at the EGM by the Shareholders;
- (2) pursuant to the Subsidiary Share Option Scheme, the total number of Share Options granted to any Eligible Participant during the validity period of the Subsidiary Share Option Scheme shall not exceed 1% of the total registered capital of BYD Semiconductor as of the date of approval of the Subsidiary Share Option Scheme by the shareholders of BYD Semiconductor. For the avoidance of doubt, in compliance of Rule 17.03(4) of the Listing Rules, unless approved by the Shareholders in accordance with the said Listing Rule, the total number of shares of BYD Semiconductor issued and to be issued upon the exercise of the Share Options and the options granted under any other share option scheme(s) of BYD Semiconductor (including both exercised or outstanding options) to each Eligible Participant in any 12-month period shall not exceed 1% of the shares of BYD Semiconductor in issue;

LETTER FROM THE BOARD

- (3) pursuant to the terms of the Subsidiary Share Option Scheme, the Subsidiary Share Option Scheme may be amended, suspended or terminated by a decision of the shareholders of BYD Semiconductor or as considered and approved by the shareholders' general meetings of BYD Semiconductor. The board of directors of BYD Semiconductor confirms that the terms and conditions of the Subsidiary Share Option Scheme (provided that the same are not inconsistent with the applicable laws and regulations, including the Listing Rules) may be altered in any respect by resolution of the board of directors of BYD Semiconductor on the conditions that: (i) no alteration shall be made to the advantage of participants without the prior approval of the Shareholders in general meeting; (ii) alteration of a material nature or any change to the terms of options granted must be approved by the Shareholders, except where the alterations take effect automatically under the existing terms of the scheme; (iii) any change to the authority of the directors or scheme administrators in relation to any alteration to the terms of the scheme must be approved by the Shareholders in general meeting;
- (4) pursuant to the terms of the Subsidiary Share Option Scheme, if any provisions of the Subsidiary Share Option Scheme conflicts with the applicable PRC laws, regulations, administrative rules or normative documents (collectively, the “**Applicable Laws**”), the Applicable Laws shall prevail. Anything unspecified in the Subsidiary Share Option Scheme shall be subject to the Applicable Laws. For the avoidance of doubt, the Scheme shall be subject to the Applicable Laws for any circumstances and/or detail which are not specified thereto, and “Applicable Laws” shall include the Listing Rules, and in compliance with Note (3) of Rule 17.03(18) of the Listing Rules, the amended terms of the Subsidiary Share Option Scheme and the Share Options must still comply with the relevant requirements of Chapter 17 of the Listing Rules;
- (5) The ordinary shares of BYD Semiconductor to be allotted upon the exercise of any Share Options shall not carry voting or dividend rights until completion of the registration of the grantee (or such other person nominated by the grantee) as the holder thereof on the register of members of BYD Semiconductor. The ordinary shares of BYD Semiconductor to be allotted upon the exercise of any Share Options shall be subject to all the provisions of the constitutional documents of BYD Semiconductor for the time being in force and, once issued, shall rank *pari passu* in all respects with and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation of BYD Semiconductor as attached to the fully-paid ordinary shares of BYD Semiconductor in issue on the date of issue, in particular but without prejudice to the generality of the foregoing, in respect of voting, transfer and other rights including those arising on a liquidation of BYD Semiconductor and rights in respect of any dividend or other distributions paid or made on or after the date of issue; and
- (6) No monies are payable by the grantees on application or acceptance of the Share Options.

LETTER FROM THE BOARD

Having considered that it is competitive for companies in innovative and high-technology sectors including those in the semiconductor business to recruit and retain talents, and it is common for such companies to rely on employee incentive schemes with attractive terms to recruit and retain talents in light of the volatility and unpredictability in terms of business prospect of such companies, in order to reinforce the market leading position of BYD Semiconductor and the Company in the automotive-grade semiconductors industry and innovative new-energy vehicles sector respectively and thus to protect the core R&D capabilities and the interest of the Group and the Shareholders, the Board is of the view that it is crucial to retain the existing incentive participants including core developers, technicians and management personnel of BYD Semiconductor who contribute to the success and continual development of the BYD Semiconductor. As detailed in the Appendix, given the granting and the exercise of the Share Options are subject to several grant conditions, performance targets and vesting periods, the Board believes that the terms of the Subsidiary Share Option Scheme can effectively serve the purpose of retaining and motivating talents and enhancing the close integration of the interests of the directors, senior management and core personnel of BYD Semiconductor. In particular, the vesting period requirement will serve as an incentive for the respective grantees for their continuing commitment and contribution to the growth of BYD Semiconductor in the future.

The board of directors of BYD Semiconductor and the Company (as the then sole shareholder of BYD Semiconductor) have given their conditional approval for the proposed adoption of the Subsidiary Share Option Scheme. The Subsidiary Share Option Scheme constitutes a share option scheme pursuant to Chapter 17 of the Listing Rules. Pursuant to Rule 17.02(1)(a) of the Listing Rules, the adoption of the Subsidiary Share Option Scheme is conditional upon the approval of the Shareholders at the EGM.

The Company will, where applicable, comply with the relevant requirements of Chapter 14 of the Listing Rules in connection with the deemed disposal as a result of the exercise of the Share Options, which may reduce the percentage equity interest of the Company in BYD Semiconductor.

Upon adoption of the Subsidiary Share Option Scheme, the Company will disclose the required information in relation to the Subsidiary Share Option Scheme in its subsequent annual report(s) and interim report(s) in accordance with the disclosure requirements under Chapter 17.07 of the Listing Rules. As at the Latest Practicable Date, the Subsidiary Share Option Scheme has not appointed any trustee, accordingly none of the Directors or the directors of BYD Semiconductor is appointed as trustee of the Subsidiary Share Option Scheme or has direct or indirect interests in any trustee of the Subsidiary Share Option Scheme.

No Shareholders has a material interest in the adoption of the Subsidiary Share Option Scheme, and hence no Shareholders are required to abstain from voting on the relevant resolution at the EGM.

LETTER FROM THE BOARD

Waiver from Strict Compliance with the Listing Rules

The Subsidiary Share Option constitutes a share option scheme pursuant to Chapter 17 of the Listing Rules. According to Note 2 to Rule 17.03(9) of the Listing Rules, while Note (1) to Rule 17.03(9) does not apply to a share option scheme of a subsidiary of the listed issuer if the subsidiary's securities are not listed on the Stock Exchange, the relevant scheme document must provide that the exercise price of options granted after the listed issuer has resolved to seek a separate listing of such subsidiary on the Exchange, GEM or an overseas stock exchange and up to the listing date of the subsidiary must be not lower than the new issue price (if any). In particular, any options granted during the period commencing six months before the lodgement of Form A1 (or its equivalent for listing on GEM or the overseas stock exchange) up to the listing date of the subsidiary are subject to the aforesaid requirement. The Company has therefore obtained a waiver from strict compliance with Note (2) to Rule 17.03(9) of the Listing Rules in respect of the exercise price of the Share Options on the following major grounds submitted by the Company:

- (1) the Subsidiary Share Option Scheme was formulated in or around April 2020 when the Company was in discussion with potential strategic investors of BYD Semiconductor¹ during which an expected aggregated investment amount from potential investors in BYD Semiconductor of approximately RMB2,700,000,000 and an expected total net assets of BYD Semiconductor of approximately RMB3,100,000,000 after completion of the aforesaid capital increase were taken into account for determining the net assets value per share of BYD Semiconductor after the capital increase². Accordingly, the exercise price of RMB4.54 per share is determined primarily based on the initial proposed exercise price of RMB5 per share which represented the expected net assets value per share of BYD Semiconductor upon completion of the aforesaid capital increase multiplied by a discount of 30%, being a percentage decided by BYD Semiconductor after detailed consideration weighing the need to provide the Eligible Participants an incentive which is attractive enough against the cost implication of the scheme to BYD Semiconductor. Such initial proposed exercise price was subsequently adjusted to RMB4.54 in accordance with the price adjustment terms of the Subsidiary Share Option Scheme when BYD Semiconductor restructured into a joint-stock company;

1 For further details of the introduction of strategic investors in BYD Semiconductor, please refer the announcements of the Company dated 26 May 2020 and 15 June 2020.

2 It was then estimated that net assets value per share of BYD Semiconductor upon completion of the capital increase of BYD Semiconductor would be approximately RMB7.

LETTER FROM THE BOARD

- (2) as confirmed by the Company's PRC legal adviser, the exercise price of the Share Options is in compliance with the applicable regulations in the PRC on the basis that:
- (i) article 9(6) of the Administrative Measures on Share Incentives of Listed Companies (上市公司股權激勵管理辦法) as prescribed by the CSRC (the “**Administrative Measures**”) (as supplemented by Q&A 23.3 of the Questions and Answers on the Review of the Initial Public Offering and Listing of Stocks on the Shenzhen Stock Exchange (深圳證券交易所創業板股票首次公開發行上市審核問答)) (collectively the “**PRC Requirements**”) stipulates that the “exercise price of the options shall be determined by shareholders' agreement, but in principle shall not be lower than the audited net assets or appraised value of the most recent year”. As the Subsidiary Share Option Scheme was formulated and conditionally approved in 2020, the exercise price of the Share Options of RMB4.54 satisfied the PRC Requirement as it was higher than the then audited net assets value per share of BYD Semiconductor for the most recent financial year (i.e. 2019) of RMB1.18³;
 - (ii) apart from the PRC Requirements, there is no other applicable PRC legal and/or regulatory requirements in relation to the exercise price of the Share Options of BYD Semiconductor as an unlisted company to be spun-off;
 - (iii) apart from the PRC Requirements, BYD Semiconductor will not be required to follow any other PRC legal and/or regulatory requirements on the exercise price of the Share Options (such as price adjustment) after its listing; and
 - (iv) apart from the PRC Requirements, the Subsidiary Share Option Scheme will not be subject to any other PRC legal and/or regulatory requirements after the listing of BYD Semiconductor;

3 For reference purpose only, the net assets value per share of BYD Semiconductor for the financial year ended 31 December 2020 is approximately RMB7.08. The substantial increase of the net assets value per share of BYD Semiconductor from 2019 to 2020 is primarily due to the injection of substantial capital from an aggregate of over 40 strategic institutional investors of approximately RMB2,700,000,000. For further details of the capital increase in BYD Semiconductor, please refer to the announcements of the Company dated 26 May 2020 and 15 June 2020. As advised by the PRC Counsels of the Company, the exercise price of the Share Options of RMB4.54 does not have to be further adjusted from legal compliance perspective (despite the subsequent increase in the audited net assets or valuation of the Company in 2020) on the basis that the PRC Requirements were complied with when the Subsidiary Share Option Scheme was approved by the shareholder of BYD Semiconductor in May 2020.

LETTER FROM THE BOARD

- (3) the method of determining the exercise price of the Share Options is in line with the market practice in the PRC. It is noted that various PRC listed companies including but not limited to BOZHON Precision Industry Technology Co., Ltd (博眾精工科技股份有限公司) (688097.SH), Zhejiang Supcon Technology Co., Ltd. (浙江中控技術股份有限公司) (688777.SH), Shanghai Junshi Biosciences Co., Ltd. (上海君實生物醫藥科技股份有限公司) (which is a joint stock company listed on both the Hong Kong Stock Exchange (1877.HK) and the Shanghai Stock Exchange (688180.SH)), National Silicon Industry Group Co., Ltd. (上海矽產業集團股份有限公司) (688126.SH) and Beijing Tinavi Medical Technologies Co., Ltd. (北京天智航醫療科技股份有限公司) (688277.SH) have adopted the same basis for determining the exercise price of their respective share option schemes. The Board further sees that as China is facilitating the development of semiconductor industry, it is competitive for companies in innovative and high-technology sectors including those in the semiconductor business to recruit and retain talents, and it is common for such companies to rely on employee incentive schemes with attractive terms to recruit and retain talents in light of the volatility and unpredictability in terms of business prospect of such companies; and the price at which options under share option schemes may be exercised is a crucial term in determining whether the schemes are attractive to the employees. In order to reinforce the market leading position of BYD Semiconductor and the Company in the automotive-grade semiconductors industry and innovative new-energy vehicles industry respectively and thus to protect the core R&D capabilities and the interest of the Group and the Shareholders, it is crucial to retain the existing Incentive Participants including core developers, technicians and management personnel of BYD Semiconductor who contribute to the success and continual development of the BYD Semiconductor;
- (4) other than the basis of determination of the exercise price of the Share Options, all other terms of the Subsidiary Share Option Scheme are in compliance with Chapter 17 of the Listing Rules;
- (5) the Subsidiary Share Option Scheme is tailored for the 36 Incentive Participants only as an one-off arrangement. As such, there is only 33,088,235 Share Options, representing 7.353% of BYD Semiconductor's current registered capital of RMB450,000,000, involved in relation to the 36 Incentive Participants as detailed in the terms of the Subsidiary Option Scheme. With reference to the size of the Company, such interests are negligible, whether from financial perspective of the Company or in terms of materiality for disclosure purpose from Listing Rules perspective. As such, the grant of a waiver from the Stock Exchange is not prejudicial or seriously detrimental to the interest of the Company or result in undue risks to the Shareholders and investors whole interests are among those which the Listing Rules are intended to protect;

LETTER FROM THE BOARD

- (6) further to the above, the shares to be issued upon the exercise of the Share Options are the RMB ordinary shares in BYD Semiconductor, not the shares of the Company; the Shareholders are not entitled to participate in the public offer of BYD Semiconductor at the time of its listing as of right, accordingly, compliance of Note (2) to Rule 17.03(9) of the Listing Rules in its unmodified form to adjust the exercise price of the share options granted during the period commencing six months before the lodgment of listing application up to the listing date of BYD Semiconductor would not achieve the regulatory purpose for which the relevant Listing Rule was made, and the adherence of the exercise price adjustment disclosure requirement is therefore also impractical when the regulatory purpose for which the relevant Listing Rule was made cannot be achieved;
- (7) the Subsidiary Share Option Scheme was conditionally approved by the board of directors of BYD Semiconductor and the Company (as the then sole shareholder of BYD Semiconductor). As further changes to the exercise price of the Share Options (including the inclusion in the scheme document the price adjustment mechanism pursuant to Rule 17.03(9)) have to be approved by the board of directors and shareholders of BYD Semiconductor, and having considered (i) there are now over 40 institutional investors of BYD Semiconductor and it would be highly unlikely for the board of directors and majority of the existing shareholders of BYD Semiconductor to approve the proposed changes (which are commercially detrimental to BYD Semiconductor as explained above); and (ii) the schedule of the spin-off and application for listing by BYD Semiconductor, the strict adherence to Note (2) to Rule 17.03(9) to disclose and/or implement the price adjustment mechanism would be unduly burdensome and impractical;
- (8) the Subsidiary Share Option Scheme is subject to approval by the Shareholders at the EGM. As such, all Shareholders will have the opportunity to fully consider and assess the principal terms of the Subsidiary Share Option Scheme (which include the proposed exercise price) and the basis for determination of the exercise price of the Share Options;
- (9) all Shareholders are treated fairly and equally on the basis that: (i) they are fully informed and given a chance to fully assess the terms of the Subsidiary Share Option Scheme from the information (to be) provided in the circular and the EGM; (ii) they are free to express their views and vote for/against the Subsidiary Share Option Scheme (which include the proposed exercise price and basis for determination of the exercise price of the Share Options); and (iii) their rights are not prejudice as they are not given assured entitlement to receive the shares of BYD Semiconductor, not entitled to participate in the public offer of BYD Semiconductor at the time of its listing, and their interest will not be materially prejudiced as the financial results of BYD Semiconductor will continue to be consolidated into the Group, and the Shareholders will continue to enjoy the contribution from BYD Semiconductor through their holdings in the Shares;

LETTER FROM THE BOARD

- (10) the objective of the Subsidiary Share Option Scheme is to recruit and retain talents in the commercial interests of BYD Semiconductor and its shareholders (including the Company) as a whole, the grant of a waiver from the strict compliance of Note (2) of Rule 17.03(9) of the Listing Rules to the Company does not affect the interests of public shareholders of the Company;
- (11) it was not uncommon for the Stock Exchange to grant waivers to issuers (including joint stock issuers whose shares are listed on the Stock Exchange and the PRC Stock Exchange) from the strict compliance of Rule 17.03(9) in relation to the exercise price of the stock options; and
- (12) based on the aforementioned grounds, if Note (2) to Rule 17.03(9) of the Listing Rules were to be strictly adhered to by the Company, the commercial rationale and benefits, if not the fundamental purpose of the Share Option Scheme, would have been completely defeated and it would be prejudicial or seriously detrimental to the interests of the Company and its shareholders as a whole.

4. THE EGM

The EGM is to be held on Wednesday, 16 June 2021 at 10:00 a.m. at the Conference Room, No. 3009, BYD Road, Pingshan District, Shenzhen, the PRC. The EGM Notice dated 31 May 2021 is set out on pages EGM-1 to EGM-3 of this circular.

The proxy form for use at the EGM containing the proposed resolution will be delivered to the Shareholders together with this circular on the same day. The proxy form is also published on the website of the Hong Kong Stock Exchange (www.hkex.com.hk).

Holders of H Shares whose names appear on the register of H Shares of the Company kept at Computershare Hong Kong Investor Services Limited at the close of business on Friday, 11 June 2021 are entitled to attend and vote at the EGM (or any adjournment thereof) following completion of the registration procedures. To qualify for attendance and voting at the EGM (or any adjournment thereof), documents on transfers of H Shares must be lodged with the Company's H Share Registrar and Transfer office, not later than 4:30 p.m. on Friday, 11 June 2021.

Whether or not you are able to attend the EGM, you are advised to read the EGM Notice and to complete and return the proxy form and the reply slip (which are enclosed in this circular) in accordance with the instructions printed thereon as soon as practicable and in any event not less than 24 hours before the EGM (i.e. not later than 10:00 a.m., on Tuesday, 15 June 2021) or any adjournment thereof for the proxy form and seven days before the EGM (i.e. not later than 10:00 a.m., on Wednesday, 9 June 2021) or any adjournment thereof for the reply slip, respectively. Completion and return of the Proxy Form will not preclude you from attending and voting in person at the EGM or any adjourned EGM should you so wish.

LETTER FROM THE BOARD

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the shareholders at a general meeting must be taken by poll. Accordingly, the resolution to be proposed at the EGM will be voted by poll. An announcement on the poll vote results will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

5. RECOMMENDATIONS

The Directors believe that the resolutions proposed for consideration and approval by Shareholders at the EGM are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that Shareholders vote in favour of the resolutions to be proposed at the EGM as set out in the EGM Notice.

6. 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 Company. 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.

7. FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the Appendix to this circular.

Yours faithfully,
By order of the Board,
BYD Company Limited
Wang Chuan-fu
Chairman

The Subsidiary Share Option Scheme set out in this appendix was originally drafted in Chinese and the English translation is for your reference only. In case of any inconsistencies between the Chinese and the English versions, the Chinese version shall prevail.

I. DEFINITIONS

For the purpose of this appendix, unless the context otherwise requires or specifies, the following terms have the meanings set out below. For avoidance of doubt, the definitions as set out below do not apply to other parts (including but not limited to the Letter from the Board) in this circular:

“Appraisal Measures”	the Appraisal Management Measures for the Implementation of 2020 Share Option Incentive Scheme of BYD Semiconductor Company Limited
“Approved for exercise”	the Exercise is subject to the approval of the board of directors upon the expiry of the Vesting Period, where the Exercise Conditions are satisfied and there are no circumstances that prohibit the implementation or the participation in the share incentive or the exercise under the provisions of laws, regulations and the Scheme after the Scheme is approved by the shareholders/the general meeting
“Articles of Association”	the Articles of Association of BYD Semiconductor Company Limited
“Company Law”	the Company Law of the People’s Republic of China
“Company” or “BYD Semiconductor”	BYD Semiconductor Company Limited (比亞迪半導體有限公司)
“Exercise”	the exercise of share options by the incentive participants under the share option incentive scheme. For the purpose of the Scheme, the Exercise represents the acquisition of the Underlying Share Options by the Incentive Participants under the conditions of the Incentive Scheme
“Exercise Condition(s)”	the conditions to be satisfied for Incentive Participants to exercise the Options according to the Share Option Incentive Scheme

“Exercise Date”	the date starting from which Incentive Participants are entitled to Exercise
“Exercise Price”	the price determined under the Scheme for Incentive Participants to acquire the Share Options of the Company
“Grant Date”	the date on which the Share Options were granted by the Company to the Incentive Participants
“Group”	BYD Semiconductor Company Limited and its subsidiaries
“Incentive Participant(s)”	the directors, senior management and core personnel of the Group (excluding supervisors and independent directors) who were granted the Share Options pursuant to the Scheme
“RMB”	Renminbi
“Share Option Incentive Scheme”, “Incentive Scheme” or “Scheme”	2020 Share Option Incentive Scheme of BYD Semiconductor
“Share Option(s)” or “Option(s)”	the right granted by the Company to the Incentive Participants to acquire certain amount of the Share Options of the Company at predetermined price and under certain conditions in a particular period in the future
“Underlying Share Option(s)”	the Share Options of the Company that the Incentive Participants are entitled to acquire under the Scheme
“Validity Period”	the period from Grant date of the Share Options up to the date when the Share Options granted to Incentive Participants were fully exercised or cancelled
“Vesting Period”	the period between the Grant Date and the Exercise Date of the Share Options

II. PURPOSE OF THE SUBSIDIARY SHARE OPTION SCHEME

In order to further establish and improve the incentive mechanism of the Company, fully arouse the enthusiasm of the Group's directors, senior management and core personnel, and retain and motivate talents, enhance the close integration of the interests of the Group's directors, senior management and core personnel and those of the Company, strengthen the corporate cohesive force, and allow all parties to focus on the long-term development of the Company and jointly promote the sustainable development of the Company, on the premise of fully protecting the interests of shareholders, the Scheme has been formulated under the principle of benefits being in proportion to contributions, and in accordance to the Company Law and other relevant laws and regulations and normative documents as well as the Articles of Association, taking into account the compensation system, performance appraisal system and other management systems currently implemented by the Company.

III. BASIS FOR DETERMINING AND THE SCOPE OF THE INCENTIVE PARTICIPANTS**(I) Basis for determining the Incentive Participants*****(1) Legal basis for determining the Incentive Participants***

The Incentive Participants of the Scheme shall be determined in accordance with the Company Law, other relevant laws and regulations, normative documents as well as relevant provisions of the Articles of Association, taking into account the actual situation of the Company.

(2) Functional basis for determining the Incentive Participants

The Incentive Participants of the Scheme shall include the Group's directors, senior management and core personnel (excluding supervisors and independent directors).

(II) Scope of the Incentive Participants

The Scheme involves a total of 36 Incentive Participants, including the Group's directors, senior management and core personnel. The supervisors and independent directors are not included in the scope of Incentive Participants of the Scheme.

All Incentive Participants must be in the employment and had entered into corresponding labor or employment contract with the Group during the appraisal period of the Scheme.

(III) Verification of the Incentive Participants

- (1) After the Scheme is considered and approved by the board of directors, and before the shareholders of the Company make decisions or convene the general meeting, the Company shall internally publish the names and positions of the Incentive Participants for a period of not less than 10 days.

- (2) The supervisors of the Company shall verify the list of Incentive Participants and fully consider the public opinions. Five days prior to the consideration and approval of the Scheme by the Company's shareholders/the general meeting, an explanation shall be made on the supervisors' verification of the list of Incentive Participants and the publication of the list. The list of Incentive Participants adjusted by the board of directors shall also be verified by the supervisors of the Company.

(IV) Persons not eligible for being Incentive Participants of the Scheme

- (1) Anyone who is determined as an inappropriate candidate by the relevant stock exchange in the last 12 months;
- (2) Anyone who is determined as an inappropriate candidate by the CSRC or its subordinate bodies in the last 12 months;
- (3) Anyone who is imposed any administrative penalty or banned from access to the securities market by the CSRC or its subordinate bodies due to any material non-compliance of law or regulation in the last 12 months;
- (4) Any circumstance under which the person is prohibited from acting as the Company's director or senior management as provided for in the Company Law;
- (5) Anyone who is prohibited from participating in equity incentives scheme according to any law or regulation;
- (6) Any other circumstance as determined by the CSRC.

In case of any of the above circumstances occurring to the Incentive Participants during the implementation of the Scheme, the Company shall terminate the right of the Incentive Participants to participate in the Scheme and cancel their eligibility to the grant. The Share Options granted to the Incentive Participants but have not been exercised shall not be exercised and shall be cancelled by the Company.

IV. SOURCE, NUMBER AND ALLOCATION OF THE UNDERLYING SHARE OPTIONS UNDER THE SCHEME

(I) Source of the Underlying Share Options

Under the Scheme, incentives are offered in the form of share option. The source of the Underlying Share Options under the Scheme comprise the Company's capital increase to the Incentive Participants.

(II) Number of the Underlying Share Options

The number of Share Options to be granted to the Incentive Participants under the Scheme is 33,088,235, representing 7.353% of the Company's current registered capital of RMB450,000,000.

The total number of Share Options granted to any Incentive Participant participating in the Scheme through the Option Incentive Scheme during the Validity Period shall not exceed 1% of the total registered capital of the Company as of the date of approval of the Scheme by the shareholders/the general meeting. The cumulative total number of the Underlying Share Options involved in the Option Incentive Scheme during the Validity Period shall not exceed 10% of the total registered capital of the Company on the date of approval by the shareholders/the general meeting.

On the premise that the Exercise Conditions are fulfilled, each Share Option granted to the Incentive Participants shall be entitled to subscribe for the Company's capital contribution of RMB1 (i.e. the Company's ordinary share with a nominal value of RMB1 each) at the Exercise Price during the exercise period.

(III) Allocation of the Share Options granted to the Incentive Participants

No.	Name ^(Note)	Position	ID card number/other identification number	Number of Share Options granted this time (shares)	Percentage to the total number of Share Options granted this time	Percentage to the total registered capital of the Company
1	Chen Gang (陳剛)	General Manager	360103*****1773	3,308,823	10.00%	0.735%
2	Yang Qinyao (楊欽耀) Zhang Huixia (張會霞) Yang Yun (楊雲) Zheng Maoling (鄭茂鈴) Zhong Aihua (鍾愛華) Wang Haijin (王海進) Tang Jun (唐俊) Dong Guoquan (董國全) Fu Jingjun (傅璟軍) Wu Haiping (吳海平) WEIFENG Li Wangqin (李旺勤) Zeng Yuwen (曾玉文) Liu Xiaoyan (劉肖豔) Jiang Yongmei (蔣詠梅) Qu Bo (屈擘) Li Qifeng (李奇峰) Chen Zengqiang (陳增強) Li Kun (李坤) Wang Huagen (王華根) Wu Bo (吳波) Li Zhijian (李志堅)	including assistant general manager, R&D directors and technicians, senior engineers, sales manager, chief financial officer, board secretary, administration manger and project manager			90.00%	6.618%

No.	Name ^(Note)	Position	ID card number/other identification number	Number of Share Options granted this time (shares)	Percentage to the total number of Share Options granted this time	Percentage to the total registered capital of the Company
	Liu Guoning (劉國寧)					
	Wang Wenqing (王文情)					
	Li Jia (李佳)					
	Zeng Qiulian (曾秋蓮)					
	Li Yonghui (李永輝)					
	Yang Shengsong (楊勝松)					
	Zhang Weizhou (張為洲)					
	Yuan Xingji (袁興繼)					
	Huang Chen (黃臣)					
	Yu Tao (余濤)					
	Li Huiran (李會然)					
	Xie Wen (謝雯)					
Total				33,088,235	100.00%	7.353%

(Note: One of the Eligible Participants has resigned subsequent to the conditional approval of the Subsidiary Share Option Scheme so his name is not disclosed herein.)

V. VALIDITY PERIOD, GRANT DATE, VESTING PERIOD, EXERCISE DATE AND LOCK-UP PERIOD OF THE SCHEME

(I) Validity Period

The Validity Period of the Scheme shall commence from the Grant Date of the Share Options and end on the date on which all the Share Options granted to the Incentive Participants have been exercised or cancelled, which shall not be longer than 10 years.

(II) Grant Date

The Grant Date shall be determined by the board of directors after the Scheme has been considered and approved by the shareholders/the general meeting of the Company.

The Company shall grant the Share Options to the Incentive Participants within 60 days after the Scheme being considered and approved by the shareholders/the general meeting. If the Company fails to complete the above work within 60 days, the implementation of the Scheme shall be terminated, and the Share Options that have not been granted will lapse.

Without the consent of the shareholders/the general meeting of the Company, the Grant Date shall not be earlier than the date on which the employee signs the labor contract with the Group.

(III) Vesting Period

The Share Options granted under the Option Incentive Scheme shall be exercised in three tranches, and the corresponding Vesting Periods shall be 24 months, 36 months and 48 months respectively from the Grant Date.

The Share Options granted to the Incentive Participants under the Scheme are not transferable until they are exercised and cannot be used to guarantee or repay debts. The Incentive Participants shall not dispose of the Share Options in any manner other than that as provided for in the Scheme. (i.e. Incentive Participants shall not dispose of the Share Options in any manner that are not expressly prohibited in this Scheme.)

(IV) Exercise Date

After the Option Incentive Scheme is approved by the shareholders/the general meeting, the Share Options granted to the Incentive Participants may be exercised with the approval of the board of directors upon the expiry of the Vesting Period, where the Exercise Conditions are satisfied and there are no circumstances that prohibit the implementation or the participation in the share incentive or the exercise under the provisions of laws, regulations and the Scheme.

During the exercise period, the Incentive Participants shall exercise the Options according to the following Exercise arrangement after meeting the Exercise Conditions stipulated in the Scheme (there shall be an interval of 12 months between the first vesting date of each exercise period):

Exercise period	Duration	Proportion of the number of exercisable Options to the number of share Options granted (i.e. Exercise proportion)
1st exercise period	24 months from the Grant Date to 36 months from the Grant Date	30%
2nd exercise period	36 months from the Grant Date to 48 months from the Grant Date	30%
3rd exercise period	48 months from the Grant Date to 60 months from the Grant Date	40%

(V) Lock-up Period

- (1) The Incentive Participants shall not transfer the incentive Share Options held within 3 years from the Grant Date and 3 years from the Exercise Date.
- (2) The Incentive Participants shall comply with the relevant laws and regulations and the relevant provisions of the listing rules of the stock exchanges (if applicable) on the transfer of incentive Share Options.

VI. EXERCISE PRICE OF THE SHARE OPTIONS UNDER THE SCHEME

The Exercise Price of the Share Options granted under the Scheme is RMB4.54 per share. (In the event of any dividend distribution, capitalization of capital reserves, bonus issue, share sub-division, rights issue or share consolidation prior to any exercise of the Share Options, the Exercise Price shall be adjusted accordingly.)

VII. GRANT AND EXERCISE CONDITIONS OF THE SHARE OPTIONS UNDER THE SCHEME**(I) Grant Conditions of the Share Options**

The Company shall grant Share Options to the Incentive Participants that meet all of the following grant conditions, and shall not grant Share Options to the Incentive Participants that fail to meet any of the following grant conditions.

(1) *The Company does not have any of the following circumstances:*

1. issuance of an auditors' report with adverse opinions or disclaimer opinions on the financial accounting report by a certified public accountant for the most recent accounting year;
2. share incentives are prohibited by any law or regulation;
3. any other circumstance as determined by the CSRC.

(2) *The Incentive Participants are not involved in any of the following circumstances:*

1. being subject to any determination as an inappropriate candidate by the relevant stock exchange during the last 12 months;
2. being subject to any determination as an inappropriate candidate by the CSRC or its subordinate bodies during the last 12 months;
3. imposition of any administrative penalty or banned from access to the securities market by the CSRC or its subordinate bodies due to any material non-compliance of law or regulation during the last 12 months;

4. circumstance under which the person is prohibited from acting as the Company's director or senior management as provided for in the Company Law;
5. circumstance under which the incentive participants is prohibited from participating in equity incentives scheme according to the provisions of any law or regulation;
6. any other circumstance as determined by the CSRC.

(II) Exercise Conditions of the Share Options

(1) *Company-level Performance Appraisal Requirements*

For the Share Options granted according to the Scheme, the performance appraisal and Exercise shall be carried out annually during the appraisal period, so as to achieve the performance appraisal objectives as one of the Exercise Conditions for the Incentive Participants in the current year. If the Company's performance level of the current period fails to reach the performance appraisal objectives in each exercise period, the Share Options granted to all Incentive Participants in the corresponding appraisal year shall be cancelled by the Company.

Exercise period	Performance appraisal objectives
1st exercise period	The operating income and net profit of the accounting year prior to the exercise date of the first exercise period shall increase by no less than 20% compared with the previous year
2nd exercise period	The operating income and net profit of the accounting year prior to the exercise date of the second exercise period shall increase by no less than 20% compared with the previous year
3rd exercise period	The operating income and net profit of the accounting year prior to the exercise date of the third exercise window shall increase by no less than 20% compared with the previous year

The annual performance appraisal objectives of the Company for the Share Options granted within the Validity Period of the Scheme are as follows:

Notes:

1. The above “operating income” represents the audited operating income of the Company in the consolidated financial statements;
2. The above “net profit” represents the audited net profit attributable to the parent company’s shareholders in the consolidated financial statement after deducting non-recurring gains and losses, and excluding the effect of the share payment for the Scheme.

(2) Individual-level Performance Appraisal Requirements

The individual appraisal of the Incentive Participants shall be carried out in accordance with the “Appraisal Management Measures for the Implementation of 2020 Share Option Incentive Scheme” of the Company and the current relevant regulations on remuneration and appraisal:

Level	Excellent	Good	Qualified	To be improved	Incompetent
Exercise percentage	100%	100%	100%	80%	0%

If the individual performance of the Incentive Participants in the accounting year prior to the Exercise Date of each period of Share Options is evaluated as excellent, good, qualified or to be improved, then the Incentive Participants can exercise the rights and interests according to the Exercise percentage stipulated in the Scheme, and the part not exercised in the current period shall be cancelled by the Company.

If the individual performance of the Incentive Participants in the accounting year prior to the Exercise Date of each period of Share Options is evaluated as incompetent, the Company shall cancel the exercise amount of the Incentive Participants in the current period according to the provisions of the Scheme.

VIII. METHODS AND PROCEDURES FOR ADJUSTMENT FOR THE SCHEME

(I) Adjustment of Exercise Date and Exercise Period

If the Company restructures into a joint-stock company and intends to go public, but the relevant laws and regulations require that the Incentive Participants shall not exercise the interests and rights before the Company goes public, and if the Exercise Date is earlier than the listing date of the Company, then the Exercise Date shall be adjusted accordingly, and each exercise period shall be adjusted accordingly according to the adjustment of the Exercise Date.

(II) Adjustment of Number and Exercise Price of Share Options

- (1) *If the Company is restructured into a joint-stock company, the Scheme shall be adjusted as follows:***

1.1 Method for adjusting the number of Share Options

$$Q = Q_0 \times m$$

Where: Q_0 is the number of Share Options before adjustment; m is the number of shares in the restructured joint-stock company obtained for every RMB1 contributed before restructuring; Q is the number of Share Options after adjustment.

1.2 Method for adjusting the Exercise Price

$$P = P_0 \div m$$

Where: P_0 is the Exercise Price before adjustment; m is the number of shares in the restructured joint-stock company obtained for every RMB1 contributed before restructuring; P is the Exercise Price after adjustment.

- (2) *In the event of any capitalization of capital reserves, bonus issue, sub-division, rights issue or consolidation of shares after the Company's restructuring into a joint-stock company, the Scheme shall be adjusted as follow:***

2.1 Methods for adjusting the number of Share Options

In the event of any capitalization of capital reserves, bonus issue, share sub-division, rights issue or share consolidation prior to any exercise of Share Options, the number of Share Options shall be adjusted accordingly, as follows:

- (i) Capitalization of capital reserves, bonus issue and share sub-division

$$Q = Q_0 \times (1 + n)$$

Where: Q_0 is the number of Options before adjustment; n is the ratio per share resulting from capitalization of capital reserves, bonus issue and share sub-division (i.e., the number of shares added to each share upon capitalization issue, bonus issue and sub-division of share capital); Q is the number of Options after adjustment.

(ii) Rights issue

$$Q = Q_0 \times P_1 \times (1 + n) \div (P_1 + P_2 \times n)$$

Where: Q_0 is the number of Options before adjustment; P_1 is the closing price of the share registration date; P_2 is the price in respect of rights issue; n is the ratio of rights issue (i.e., the number of shares under rights issue in proportion to the total share capital of the Company before rights issue); Q is the number of Options after adjustment.

(iii) Share consolidation

$$Q = Q_0 \times n$$

Where: Q_0 is the number of Options before adjustment; n is the ratio of share consolidation (i.e., 1 share of the Company is consolidated into n shares); Q is the number of Options after adjustment.

(iv) Distribution of dividends and additional issuance of new shares

The Company shall not adjust the number of Options in the event of dividend payment or additional issuance of new shares.

2.2 *Methods for adjusting the Exercise Price*

In the event of any dividend distribution, capitalization of capital reserves, bonus issue, share sub-division, rights issue or share consolidation prior to any exercise of Share Options, the Exercise Price of the options shall be adjusted accordingly, as follows:

(i) Capitalization of capital reserves, bonus issue and share sub-division

$$P = P_0 \div (1 + n)$$

Where: P_0 is the Exercise Price before adjustment; n is the ratio per share resulting from capitalization of capital reserves, bonus issue and share sub-division; P is the Exercise Price after adjustment.

(ii) Rights issue

$$P = P_0 \times (P_1 + P_2 \times n) \div [P_1 \times (1 + n)]$$

Where: P_0 is the Exercise Price before adjustment; P_1 is the closing price of the share registration date; P_2 is the price in respect of rights issue; n is the ratio of rights issue (i.e. the proportion of the number of shares under rights issue to the total share capital of the joint-stock company before rights issue); P is the Exercise Price after adjustment.

(iii) Share consolidation

$$P = P_0 \div n$$

Where: P_0 is the Exercise Price before adjustment; n is the ratio of share consolidation; P is the Exercise Price after adjustment.

(iv) Distribution of dividends

$$P = P_0 - V$$

Where: P_0 is the Exercise Price before adjustment; V is the dividend paid per share; P is the Exercise Price after adjustment.

(v) Additional issuance of new shares

The Company shall not adjust the exercise price of options in the event of additional issuance of new shares.

IX. ADJUSTMENT PROCEDURES FOR THE SCHEME

Shareholders/the general meeting of the Company shall authorize the board of directors of the Company to make corresponding adjustments in case of the foregoing circumstances, and to consider and approve the resolutions on adjusting the Exercise Date and exercise period as well as the resolutions on adjusting the number and Exercise Price of Share Options.

If the restructuring of the Company into a joint-stock company results in the change of the highest authority of the Company from shareholders/the general meeting to the general meeting of shareholders, the general meeting of shareholders of the Company shall authorize the board of directors to make corresponding adjustments and consider and approve relevant resolutions in case of the foregoing circumstances. If any circumstance other than the foregoing causes an adjustment to the Exercise Date and exercise period as well as an adjustment to the number and Exercise Price of the Share Options, the Company must submit such adjustment to the general meeting of shareholders for consideration and approval.

Notwithstanding the above, any adjustments as a result of an issue of securities with a price-dilutive element, such as rights issue, open offer or capitalisation issue, should be based on a scrip factor similar to the one used in accounting standards in adjusting the earnings per share figures (referred to in Hong Kong Accounting Standards 33.)

X. AMENDMENT, SUSPENSION AND TERMINATION OF THE SCHEME

The Scheme may be amended, suspended or terminated by a decision of the shareholders of the Company or as considered and approved by the general meeting of the Company. The supervisors shall give opinions on whether the amended Scheme is conducive to the sustainable development of the Company and whether there are circumstances that are significantly detrimental to the interests of the Company and all shareholders.

XI. HANDLING UNUSUAL CIRCUMSTANCES ENCOUNTERED BY THE COMPANY AND THE INCENTIVE PARTICIPANTS

(I) Handling Unusual Circumstances Encountered by the Company

- (1) The Company's shareholders/the general meeting shall authorize the board of directors to determine whether to terminate the Incentive Scheme if the Company has any of the following circumstances:
 1. Change in control of the Company; or
 2. Merger or spin-off of the Company.
- (2) The Company's shareholders/the general meeting shall authorize the board of directors to determine whether to suspend or terminate the Scheme if the Company encounters any major circumstance such as statutory situations or force majeure events or change of objective environment.
- (3) The Scheme shall be terminated; the Share Options already granted to the Incentive Participants but not yet exercised shall be cancelled by the Company; and the Company will not assume any liability for compensation to the Incentive Participants if the Company encounters any of the following conditions:
 1. issuance of an auditor's report, in which the certified public accountant gives adverse opinions or indicates an ability to give opinions, has been issued with respect to the financial report for the most recent accounting year;
 2. issuance of an auditors' report, in which the certified public accountant gives adverse opinions or indicates an inability to give opinions, has been issued with regard to internal control of the financial report for the most recent accounting year;

3. there has been failure to make profit distribution in accordance with applicable laws and regulations, the Articles of Association and public undertakings during the 36 months after public listing of the Company;
4. the circumstances in which implementation of Share Incentive Scheme is prohibited by the laws or regulations;
5. other circumstances in which termination of the Incentive Scheme is deemed necessary by CSRC.

(II) Handling Unusual Circumstances Encountered by the Incentive Participants

- (1) If an Incentive Participant has a normal change in job positions in the Group but still works for the Group, the Share Options granted to the Incentive Participant shall be fully regulated by the procedure specified by the Scheme before such change in job positions. However, if the change in job positions is caused by the Incentive Participant's violation of laws, breach of professional ethics, divulge of the Company's secrets, dereliction of duty, malfeasance or other acts that severely harms the Company's interests or reputation, or if termination of the employment relation between the Company and the Incentive Participant for any of the above reasons, the Share Options that have been granted to the Incentive Participant but not yet exercised shall be collectively cancelled by the Company upon occurrence of the aforesaid circumstances. The board of directors may recover all or part of the proceeds that are gained from the exercised Share Options, depending on the severity.
- (2) The Share Options already exercised by an Incentive Participant shall remain effective, and the Share Options not yet exercised shall be cancelled by the Company if the Incentive Participant loses the eligibility to take part in the Scheme because he/she:
 1. is determined as an inappropriate candidate by the relevant stock exchange in the last 12 months;
 2. is determined as an inappropriate candidate by the CSRC and its subordinate bodies, or is imposed any administrative penalty or banned from access to the securities market by the CSRC or its subordinate bodies due to any material non-compliance of law or regulation in the last 12 months;
 3. is prohibited from acting as the Company's director or senior executive as provided for in the Company Law;
 4. is prohibited from participating in equity incentives scheme according to any law or regulation; or
 5. has any other circumstance as determined by the CSRC.

- (3) The Share Options already approved for Exercise may be exercised normally, and the Share Options that have been granted but not yet approved for Exercise shall lapse and cancelled by the Company if any of the following circumstances occur to the Incentive Participants:
1. The Company unilaterally terminates or rescinds the labor contract or employment contract signed with the Incentive Participant due to the Company's business adjustments (including but not limited to lay-off) or other reasons;
 2. The Incentive Participant retires at the legal retirement age and will no longer work for the Company after retirement;
 3. The labor contract or employment contract signed with the Company is no longer renewed upon expiration of the contract term; or
 4. The Incentive Participant voluntarily leaves the Company before expiration of the labor contract or employment contract.
- (4) If the Incentive Participant leaves the Company due to the loss of work capacity, there are two solutions as follows:
1. If the Incentive Participant leaves the Company due to the loss of work capacity as a result of performing his/her job duties, the Share Options granted to him/her will be fully regulated by the procedure specified by the Scheme before his/her loss of work capacity, and his/her individual performance evaluation results will no longer be included in the Exercise Conditions.
 2. If the Incentive Participant leaves the Company due to the loss of work capacity for any reason other than performance of his/her job duties, the Share Options already approved for Exercise may be exercised normally, and the Share Options that have been granted but not yet approved for Exercise shall lapse and cancelled by the Company.
- (5) If the Incentive Participant deceases, there are two solutions as follows:
1. in case of work-related death, the Share Options granted to the Incentive Participant shall be held by his/her designated property heir or legal heir and be subject to the procedure specified by the Scheme before his/her death, and his/her individual performance evaluation results will no longer be included in the Exercise Conditions.
 2. in the event of non-work-related death of an Incentive Participant, the Share Options already approved for Exercise may be exercised normally, and the Share Options that have been granted but not yet approved for Exercise shall lapse and cancelled by the Company.

(6) If the Incentive Participant is re-employed after retirement, the Share Options granted to him/her will be fully regulated by the procedure specified by the Scheme before his/her retirement. If the Company requests a continued employment but the Incentive Participant refuses, or the Incentive Participant leaves the Company after retirement, the Share Options already approved for Exercise may be exercised normally, and the Share Options that have been granted but not yet approved for Exercise shall lapse and cancelled by the Company.

(7) Change in control of the subsidiary for which the Incentive Participant works

Where the Incentive Participant works for a subsidiary controlled by the Company, if the Company loses control of such subsidiary and the Incentive Participant still works for the subsidiary, the Share Options already approved for Exercise may be exercised normally, and the Share Options that have been granted but not yet approved for Exercise shall lapse and cancelled by the Company.

(8) Other unspecified circumstances shall be identified by the board of directors for determining as to how to handle such circumstances.

(III) Settlement of Disputes between the Company and the Incentive Participants

Any dispute between the Company and an Incentive Participant arising out of or in connection with the implementation of the Scheme and/or the option grant agreement signed by the parties shall be settled through negotiation and communication between the parties or through mediation by the board of directors. If a dispute is not settled by the parties through the aforesaid ways or methods within 60 days upon occurrence of such dispute, either party may file a lawsuit to the People's Court with jurisdiction over the Company's place of domicile.

XII. Other Important Matters

(I) If relevant provisions of the Scheme have any conflict with the applicable PRC laws, regulations, administrative rules, or normative documents, the provisions of such PRC laws, regulations, departmental rules, or normative documents shall prevail. Anything unspecified in the Scheme shall be subject to the applicable PRC laws, regulations, departmental rules, or normative documents. (For the avoidance of doubt, the Scheme shall be subject to applicable PRC laws, regulations, departmental rules, or normative documents for any circumstances and/or detail which are not specified hereto.)

(II) If an Incentive Participant violates any provisions of the Scheme, the Articles of Association, or applicable PRC laws, regulations, departmental rules, or normative documents and sells the share acquired under the Scheme, the proceeds gained by the Incentive Participant shall belong to the Company. Such actions shall be implemented by the Board.

(III) The Scheme shall be effective and implemented after being approved by the Company's shareholders/the general meeting.

(IV) The Scheme shall be interpreted by the board of directors of the Company.

NOTICE OF EXTRAORDINARY GENERAL MEETING



比亞迪股份有限公司 BYD COMPANY LIMITED

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1211)

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of BYD Company Limited (the “Company”) will be held at 10:00 a.m. on Wednesday, 16 June 2021 at the Company’s Conference Room, No. 3009, BYD Road, Pingshan District, Shenzhen, the People’s Republic of China to consider and, if thought fit, pass the following resolutions:

By way of special resolutions

1. To consider and approve the resolution in relation to the spin-off and listing of BYD Semiconductor Company Limited on the ChiNext Board in compliance with the requirements under relevant laws and regulations.
2. To consider and approve the resolution in relation to the plan on the spin-off and listing of BYD Semiconductor Company Limited on the ChiNext Board.
3. To consider and approve the resolution in relation to the proposal of the spin-off and listing of BYD Semiconductor Company Limited on the ChiNext Board.
4. To consider and approve the resolution in relation to the spin-off and listing of BYD Semiconductor Company Limited on the ChiNext Board in compliance with “Several Provisions on the Pilot Program of Listed Companies’ spin-off of Subsidiaries for Domestic Listing” (《上市公司分拆所屬子公司境內上市試點若干規定》).
5. To consider and approve the resolution in relation to the spin-off and listing of BYD Semiconductor Company Limited on the ChiNext Board which benefits the safeguarding of legal rights and interests of shareholders and creditors.
6. To consider and approve the resolution in relation to the ability to maintain independence and sustainable operation of the Company.
7. To consider and approve the resolution in relation to the affirmation of capability of BYD Semiconductor Company Limited to implement regulated operation.

NOTICE OF EXTRAORDINARY GENERAL MEETING

8. To consider and approve the resolution in relation to the explanation of the completeness of and compliance with statutory procedures of the spin-off and the validity of legal documents submitted.
9. To consider and approve the resolution in relation to the analysis on the objectives, commercial reasonableness, necessity and feasibility of the spin-off.
10. To consider and approve the resolution in relation to the authorisation by the general meeting to the board of directors and its authorised persons to deal with matters relating to the spin-off and listing.
11. To consider and approve the resolution in relation to the proposed share option scheme of BYD Semiconductor Company Limited.

By order of the Board,
BYD Company Limited
Wang Chuan-fu
Chairman

Shenzhen, the PRC, 31 May 2021

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

(A) Holders of H Shares whose names appear on the registers of members of the Company kept at Computershare Hong Kong Investor Services Limited at the close of business on Friday, 11 June 2021 shall be entitled to attend and vote at the EGM (or any adjournment thereof) following completion of the registration procedures. In order for the holders of H Shares to qualify to attend and vote at the EGM (or any adjournment thereof), all transfer documents accompanied by the relevant share certificates must be lodged with the Company's H Share Registrar and Transfer Office, 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 Friday, 11 June 2021 for registration.

(B) Holders of H Shares intending to attend the EGM (or any adjournment thereof) should complete and return the reply slip for attending the EGM (or any adjournment thereof) personally, by facsimile or by post.

Holders of H Shares should complete and return the reply slip to the Company's H Share Registrar and Transfer Office by facsimile at (852) 2865 0990 or by post to (or by depositing it at) 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong such that the reply slip shall be received by the Company's H Share Registrar and Transfer Office seven days before the EGM (i.e. on or before Wednesday, 9 June 2021).

(C) Each holder of H Shares may, by completing the form of proxy of the Company, appoint one or more proxies to attend and vote at the EGM (or any adjournment thereof) on his behalf. A proxy need not be a shareholder of the Company.

(D) Holders of H Shares must use the form of proxy of the Company for appointing a proxy and the appointment must be in writing. The form of proxy must be signed by the relevant shareholder of the Company or by a person duly authorized by the relevant shareholder of the Company in writing (a "**power of attorney**"). If the form of proxy is signed by the person authorized by the relevant shareholder of the Company as aforesaid, the relevant power of attorney and other relevant documents of authorization (if any) must be notarized. If a corporate shareholder of the Company appoints a person other than its legal representative to attend the EGM (or any adjournment thereof) on its behalf, the relevant form of proxy must be affixed with the company seal of the corporate shareholder of the Company or duly signed by the chairman of the board of directors or any other person duly authorized by that corporate shareholder of the Company as required by the articles of association of the Company.

(E) To be valid, the form of proxy and the relevant notarized power of attorney (if any) and other relevant documents of authorization (if any) as mentioned in note (D) above must be delivered to the Company's H Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited (address: 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong), not less than 24 hours before the time appointed for the EGM (i.e. not later than 10:00 a.m. on Tuesday, 15 June 2021) (or any adjournment thereof).

(F) Shareholders may contact the Company's H Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited by telephone at (852) 2862 8555 or at www.computershare.com/hk/contact in connection with the EGM.

(G) A shareholder of the Company or his proxy should produce proof of identity when attending the EGM (or any adjournment thereof). If a corporate shareholder's legal representative or any other person duly authorised by such corporate shareholder attends the EGM (or any adjournment thereof), such legal representative or other person shall produce his proof of identity, proof of designation as legal representative and/or the valid authorization document (as the case may be).

(H) The EGM (or any adjournment thereof) is expected to last for a day. Shareholders who attend the EGM (or any adjournment thereof) shall bear their own travelling and accommodation expenses.

As at the date of this notice, the board of directors of the Company comprises Mr. Wang Chuan-fu being the executive Director, Mr. Lv Xiang-yang and Mr. Xia Zuo-quan being the non-executive Directors, and Mr. Cai Hong-ping, Mr. Zhang Min and Mr. Jiang Yan-bo being the independent non-executive Directors.