
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisor.

If you have sold or transferred all your shares in **BYD ELECTRONIC (INTERNATIONAL) COMPANY LIMITED**, you should at once hand this circular and the accompanying proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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.



比亞迪電子(國際)有限公司
BYD ELECTRONIC (INTERNATIONAL) COMPANY LIMITED

(incorporated in Hong Kong under the Companies Ordinance with limited liability)

(Stock Code: 285)

**RENEWAL OF NON-EXEMPT CONTINUING
CONNECTED TRANSACTION**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



Honestum International Limited

A letter from the Board is set out on pages 4 to 15 of this circular. A letter from the Independent Board Committee is set out on page 16 of this circular. A letter from Honestum International Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 36 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at the conference room of BYD Company Limited at No. 3009, BYD Road, Pingshan District, Shenzhen, the People's Republic of China on Wednesday, 9 February 2022 at 10 a.m. is set out on pages EGM-1 to EGM-2 of this circular.

Whether or not you are able to attend and/or vote at the extraordinary general meeting in person, you are requested to complete the enclosed proxy form and return it to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from subsequently attending and voting at the extraordinary general meeting or any adjournment thereof in person should you so wish.

18 January 2022

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	4
Letter from the Independent Board Committee	16
Letter from Honestum	17
Appendix – General Information	37
Notice of the Extraordinary General Meeting	EGM-1

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 8 December 2021 in respect of, among others, the Non-exempt New Continuing Connected Transactions Agreements and the relevant New Caps;
“associate(s)”	has the meaning ascribed thereto under the Listing Rules;
“Board”	the board of Directors of the Company or a duly authorized committee of the board of Directors;
“BYD”	BYD Company Limited, a joint stock company incorporated in the PRC with limited liability whose H shares are listed on the Main Board of the Stock Exchange and A shares are listed on the Main Board of the Shenzhen Stock Exchange;
“BYD Group”	BYD and its subsidiaries (excluding, except where the context indicates otherwise, the Group);
“Company”	BYD Electronic (International) Company Limited, a company incorporated in Hong Kong with limited liability whose shares are listed on the Main board of the Stock Exchange;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Continuing Connected Transaction(s)”	the continuing connected transaction(s) of the Group set out in the announcement of the Company dated 8 December 2021;
“controlling Shareholder”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the proposed New Caps and the agreements in respect of the Non-exempt Continuing Connected Transactions;

DEFINITIONS

“Existing Cap(s)”	the existing annual cap(s) for the continuing connected transactions set out in the section headed “II. Renewal of Non-Exempt Continuing Connected Transactions” in the letter from the Board contained in this circular;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committee”	a committee of the Board comprising Mr. CHUNG Kwok Mo John, Mr. Antony Francis MAMPILLY and Mr. QIAN Jing-jie, being the independent non-executive Directors;
“Independent Financial Adviser”	Honestum International Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, being independent financial adviser to the Independent Board Committee and Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions;
“Independent Shareholders”	Shareholders who are not required to abstain from voting at the EGM;
“Latest Practicable Date”	14 January 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time;
“New Cap(s)”	annual cap(s) for the Continuing Connected Transactions for the three years ending 31 December 2024 set out in the section headed “II. Renewal of Non-Exempt Continuing Connected Transactions” in the letter from the Board contained in this circular;
“New Purchase Agreement”	the purchase agreement dated 8 December 2021 between the Company and BYD in relation to the purchase of certain products by the Group from the BYD Group;
“New Supply Agreement”	the supply agreement dated 8 December 2021 between the Company and BYD in relation to the supply of certain products by the Group to the BYD Group;

DEFINITIONS

“Non-exempt Continuing Connected Transaction”	being the continuing connected transactions of the Group as contemplated under each of the New Supply Agreement and the New Purchase Agreement, for which the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules exceed 5%, and, accordingly, are subject to the reporting, announcement, annual review and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules;
“Non-exempt New Continuing Connected Transaction Agreements”	the New Supply Agreement and the New Purchase Agreement; and “Non-exempt New Continuing Connected Transaction Agreement” shall mean any one of them;
“PRC”	the People’s Republic of China (for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan);
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shareholder(s)”	holder(s) of the share(s) of the Company;
“Shares”	the ordinary shares in the share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules;
“RMB”	Renminbi, the lawful currency of the PRC; and
“%”	percent.

LETTER FROM THE BOARD



比亞迪電子(國際)有限公司
BYD ELECTRONIC (INTERNATIONAL) COMPANY LIMITED

(incorporated in Hong Kong under the Companies Ordinance with limited liability)
(Stock Code: 285)

Board of Directors:

Executive Directors

Mr. WANG Nian-qiang
Mr. JIANG Xiang-rong

Non-executive Directors

Mr. WANG Chuan-fu
Mr. WANG Bo

Independent Non-executive Directors

Mr. CHUNG Kwok Mo John
Mr. Antony Francis MAMPILLY
Mr. QIAN Jing-jie

Registered Office:

Part of Unit 1712, 17th Floor, Tower 2
Grand Central Plaza
138 Shatin Rural Committee Road
New Territories
Hong Kong

***Head Office and Principal Place
of Business in PRC:***

No. 3001, Bao He Road
Baolong, Longgang
Shenzhen, 518116
The PRC

18 January 2022

To the Independent Shareholders

Dear Sir or Madam,

**RENEWAL OF NON-EXEMPT CONTINUING
CONNECTED TRANSACTIONS**

I. INTRODUCTION

Reference is made to the announcement of the Company dated 8 December 2021 in which it was stated that the Company has entered into, amongst others, the Non-exempt New Continuing Connected Transaction Agreements in respect of the Non-exempt Continuing Connected Transactions as more particularly set out therein.

This circular gives you further information in relation to the Non-exempt Continuing Connected Transactions and contains the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt New Continuing Connected Transaction Agreements and the relevant New Caps.

LETTER FROM THE BOARD

II. RENEWAL OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Details of the Non-exempt New Continuing Connected Transaction Agreements are set out below:

A. Supply of products by the Group to BYD Group

Agreement:	New Supply Agreement
Date:	8 December 2021
Parties:	<ol style="list-style-type: none">1. The Company2. BYD
Duration:	1 January 2022 to 31 December 2024
Effective Date:	The date on which Independent Shareholders' approval in respect of this agreement is obtained.
Subject:	The Group agreed to supply to BYD Group products required for the production of BYD Group's products and materials, such as rotatable display screens, injection molded parts, moulds and certain other products and materials.
Price determination:	<p>The Group will determine the selling prices after arm's length negotiation between the Group and BYD Group with reference to factors including the extent that the product is customised, scale of supply, technological improvements in the products, and generally the selling prices shall not be lower than prices charged to its independent third party customers for similar products by the Group, which represents the then prevailing market prices.</p> <p>The Group has already implemented a policy to review the terms of supply of products offered to the BYD Group before proceeding to give quotations to the BYD Group in respect of its purchase orders. Particularly, the Group will compare the terms of supply of products, including but not limited to the prices, in respect of the same or similar products offered to independent third party customers, to ensure that the terms offered by the Group to the BYD Group will be no more favourable than those offered to independent third party customers of the Group.</p> <p>In accordance with the Group's internal policies, the Non-exempt Continuing Connected Transaction under the New Supply Agreement will be properly recorded, including but not limited to prices determined and transaction amounts. As the management of the Group will review the aforesaid pricing policy on a quarterly basis, our Directors are of the view that the aforesaid method and procedures can ensure that the Non-exempt Continuing Connected Transaction contemplated under the New Supply Agreement will be conducted on normal commercial terms and not prejudicial to the interest of the Company's minority Shareholders.</p>
Payment terms:	Payment of each transaction will comply with the payment terms agreed by the relevant parties in the relevant contract(s) or order.

LETTER FROM THE BOARD

The table below summarises the Existing Caps for the three years ended 31 December 2021 for the Continuing Connected Transaction set out in this sub-section:

	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Existing Caps	2,274,779	2,823,811	3,451,879

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2020 (audited) and the nine months ended 30 September 2021 (unaudited) for the Continuing Connected Transaction set out in this sub-section:

	Year ended	Year ended	Nine months
	31 December	31 December	ended
	2019	2020	30 September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(approx.)</i>	<i>(approx.)</i>	<i>(approx.)</i>
Actual transaction amount	1,019,193	2,499,959	1,798,547

The Company estimates that the transaction amounts for the said Continuing Connected Transaction for the three years ending 31 December 2024 will not exceed RMB6,492,341,000, RMB7,772,393,000 and RMB9,200,644,000 respectively, and such amounts have accordingly been set as the proposed New Caps for this Continuing Connected Transaction.

The proposed New Caps have been prepared by the Company primarily based on (i) the historical transaction amounts; (ii) the expected substantial increase in demand of BYD Group for the Group's products (in particular, rotatable display screens which were also used for the passenger vehicles of BYD Group, especially in the production of new energy vehicles) for the three years ending 31 December 2024. As of 31 December 2021, the sales of new energy passenger vehicles of BYD Group increased approximately 231.6% as compared with the corresponding period of last year, with a market share of approximately 19% in the new energy vehicle market of the PRC, representing an increase of approximately 7% as compared with the beginning of the year. The sales volume continued to lead the domestic new energy passenger vehicle market and remained at the forefront in the world. Its high-end flagship model "Han" became the first medium/large sedan with a monthly sales volume of over 10,000 units in China's auto industry. As of December 2021, the model "Han" has reached about 120,000 units. In October 2020, the State Council of the PRC issued the New Energy Vehicle Industry Development Plan (2021-2035) (《新能源汽车产业发​​展规划(2021-2035)》), which will continue to promote robust growth of the new energy vehicle industry of the PRC. As the industry leader in promoting the new energy vehicle industry of the PRC into a high-quality development stage through technological innovation, BYD Group expects that its new energy passenger vehicle business will continue to maintain rapid growth in the future by virtue of the continuous enrichment of its product matrix and continuous improvement of its brand image,

LETTER FROM THE BOARD

which will lead to a continuous and rapid growth in its demand for rotatable display screens manufactured by the Group; (iii) most of the new Annual Caps under the New Supply Agreement are expected to be attributable to the BYD Group for the production of new energy passenger vehicle products; (iv) the increase in production and operation capacity of the Group, which will enable the Group to take on the expected additional orders from BYD Group due to the increase in demand for the Group's products. Therefore, in view of the expansion of BYD's auto business and the expansion of the Group's production capacity to meet BYD's business expansion, the demand for the Group's products from the BYD Group's production of products is expected to increase significantly during the period ending 31 December 2022. In view of the above, and in particular, the expected continuous growth in the sales of new energy vehicles of the BYD Group in the future which will increase the demand for the Group's products, the Board considers that the New Caps under the New Supply Agreement are fair and reasonable.

As one or more of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the proposed New Caps for this Continuing Connected Transaction for the three years ending 31 December 2024 exceed 5%, it constitutes a Non-exempt Continuing Connected Transaction of the Company. This Non-exempt Continuing Connected Transaction and the proposed New Caps are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. BYD and its associates will be required to abstain from voting at the EGM in relation to the resolution to be proposed in respect of these proposed New Caps and the New Supply Agreement. The Non-exempt Continuing Connected Transaction and the proposed New Caps are subject to the approval of the Independent Shareholders, the New Supply Agreement is conditional upon the said resolution being passed at the EGM.

B. Purchase of products (including batteries) by the Group from BYD Group

Agreement:	New Purchase Agreement
Date:	8 December 2021
Parties:	The Company BYD
Duration:	1 January 2022 to 31 December 2024
Subject:	The BYD Group agreed to supply batteries used for producing specific new intelligent products, materials used for production of handset casings, plastic structural materials, packaging materials and certain other products and materials, as well as batteries according to the specifications as requested by the Group from time to time for certain new intelligent products produced by the Group, to the Group.

LETTER FROM THE BOARD

Price determination: For the Group's purchases of products other than batteries, the Group will make reference to prices of similar products charged by its independent third party suppliers to ensure that BYD Group is selling the products at the then prevailing market prices, and in any event at terms and prices no less favourable than those offered to the Group by an independent third party for the same or similar products. For purchases of batteries, the prices of the batteries offered by the BYD Group to the Group shall be with reference to the costs of production of the batteries of the BYD Group plus a profit margin agreed between the Group and BYD Group after arm's length negotiation (such profit margin shall be determined with reference to factors including but not limited to specification of the battery product, size of the orders and market environment, and shall not be greater than such profit margin which BYD Group has in respect of similar products supplied by BYD Group to its independent third party customers), and in any event at terms and prices no less favourable than those offered to the Group by an independent third party for the same or similar type of batteries offered in the PRC and for the same or comparable volume, delivery schedules and terms (unless there is no such reference price available). Depending on the expected quantity and/or the specification of the batteries required, members of the Group shall have the right to engage different suppliers, including the BYD group, through a tendering or price comparison process.

For the Group's purchase of products from the BYD Group (including batteries), the Group has already implemented a policy to request suppliers, including BYD Group and independent third party suppliers, to provide quotations in respect of the same or similar products (except for materials of insignificant amount) before making purchase orders with BYD Group. It is the Group's policy to obtain at least two to three quotations from suppliers. After receiving quotations, the Group will compare the price offered by BYD Group and other criteria (such as the capability to meet the Group's delivery schedule and ensure quality of products) with that of independent third party suppliers so as to determine the engagement results. For the Group's purchase of batteries from the BYD Group, reference prices for batteries may not be readily available to the Group. This is because batteries supplied by the BYD Group under the New Purchase Agreement are made-to-order in accordance with specifications required by the Group, and since the BYD Group, being an established battery producer in the world that is also the controlling shareholder of the Group, is one of the biggest competitors of other battery producers, batteries from other suppliers may not be available for purchase by the Group. Therefore, for the Group's purchase of batteries from the BYD Group, in the event that no reference price is available rendering the above policy ineffective, the Group has implemented a policy to request that the BYD Group provide at least 3 executed purchase orders of independent third party customers of the BYD Group in respect of the same or similar products during the same period to the Group. After receiving the executed purchase orders from the BYD Group, the Group will compare the prices and terms offered by the BYD Group to the Group with those to the independent third party customers of the BYD Group so as to determine that the prices and terms of the purchase order offered by the BYD Group to the Group is no less favourable than those offered by the BYD Group to its independent third party customers.

LETTER FROM THE BOARD

In respect of purchases of batteries, in order to determine whether the profit margin agreed between the Group and BYD Group is at such profit margin that is not greater than such profit margin which BYD has in respect of similar products supplied by BYD Group to its independent third party customers, the Group will request that the BYD Group provide relevant data of the Group's purchase order and at least 3 executed purchase orders of independent third party customers of the BYD Group in respect of the same or similar batteries during the same period to the Group. The Group will compare the profit margin which the BYD Group has under the Group's purchase orders with that of BYD Group's independent third party customers to confirm that the profit margin of batteries to be supplied to the Group is not greater than such profit margin that BYD Group has in respect of the same or similar batteries.

The Group will conclude the purchase with BYD Group only when those selection criteria can be met after taking into consideration the range of relevant factors, including but not limited to, prices, terms of delivery, specification of the products, terms of payment and size of order, etc., in order to safeguard the interests of the Group. In accordance with the Group's internal policies, the Non-Exempt Continuing Connected Transaction under the New Purchase Agreement will be properly recorded, including but not limited to prices determined and transaction amounts. As the management of the Group will review the aforesaid pricing policy on a quarterly basis and compare the quotation provided by BYD Group and independent third party suppliers, our Directors are of the view that the aforesaid method and procedures can ensure that the Non-Exempt Continuing Connected Transaction contemplated under the New Purchase Agreement will be conducted on normal commercial terms and not prejudicial to the interest of the Company's minority Shareholders.

Payment terms: Payment of each transaction will comply with the payment terms agreed by the relevant parties in the relevant contract(s) or order.

LETTER FROM THE BOARD

The table below summarises the Existing Caps for the three years ended 31 December 2021 for the Continuing Connected Transaction set out in this sub section:

	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Existing Caps	950,442	2,018,614	2,534,717

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2020 (audited) and the nine months ended 30 September 2021 (unaudited) for the Continuing Connected Transaction set out in this sub-section:

	Year ended	Year ended	Nine months
	31 December	31 December	ended
	2019	2020	30 September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(approx.)</i>	<i>(approx.)</i>	<i>(approx.)</i>
Actual transaction amount	908,081	1,690,910	1,309,202

In order to ensure the Group's normal production and operation and to promote its business development, the Group is required to obtain sufficient raw material supply. The transaction under the New Purchase Agreement will enable the Group to save time and costs in acquiring products that meet the standard from the BYD Group directly, as the Group does not need to negotiate with suppliers individually.

The Company estimates that the transaction amounts for the said Continuing Connected Transaction for the three years ending 31 December 2024 will not exceed RMB2,827,615,000, RMB3,697,936,000 and RMB5,077,895,000 respectively, and such amounts have accordingly been set as the proposed New Caps for this Continuing Connected Transaction.

The proposed New Caps have been prepared by the Company primarily based on: (i) the historical transaction amounts; (ii) the rapid development of relevant businesses of the Group (in particular, the expected growth of the business of specific new intelligent products including smart home products). According to statistics, the Group's intelligent products which require batteries in 2021 increased by approximately 119% as compared to 2020; and (iii) that a majority of the new annual caps under the New Purchase Agreement is expected to be attributable to the purchase of batteries. In view of the above, the Board considers that the New Caps under the New Purchase Agreement are fair and reasonable.

As one or more of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the proposed New Caps for this Continuing Connected Transaction for the three years ending 31 December 2024 exceed 5%, it constitutes a Non-exempt Continuing Connected Transaction of the Company. This Non-exempt Continuing Connected

LETTER FROM THE BOARD

Transaction and the proposed New Caps are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. BYD and its associates will be required to abstain from voting at the EGM in relation to the resolution to be proposed in respect of these proposed New Caps and the New Purchase Agreement. The Non-exempt Continuing Connected Transaction and the proposed New Caps are subject to the approval of the Independent Shareholders, the New Purchase Agreement is conditional upon the said resolution being passed at the EGM.

III. REASONS AND BENEFITS FOR THE CONTINUING CONNECTED TRANSACTIONS

The Group had been reinforcing its advantageous position in the field of mobile intelligent terminals and expanding its business scope to enhance the development of automotive electronics, smart hardware and smart products of the "Internet of Things". In light of the rapid development of BYD's new energy vehicle business and the improvement and development of its electronic and intelligent devices, its demand for automotive electronics has also increased vigorously. With the slowdown in the industry of consumer electronics, the Group will continue to actively enhance the overall advantage in research and development and intelligent manufacturing of its automotive electronics products, and contribute income and profit to the automotive intelligent system business segment of the Group through the introduction of new projects. In view of the historical friendly relationship between the Company and BYD and the proximity of the factories and properties of the Group and the BYD Group, the sharing of the use of infrastructure between the Company and the BYD Group will also reduce capital expenditures and lower the utility cost of the Company. In addition, the Group may further control material procurement cost and enhance its competitiveness by virtue of the supply chain scale system of BYD. Therefore, the Directors believe that it is beneficial to the Group to continue to carry out the Continuing Connected Transactions in each of three years ending 31 December 2024 to enhance and maximise operational efficiency and business growth of the Company. The purposes of entering into the New Continuing Connected Transaction Agreements are to renew the Existing Continuing Connected Transaction Agreements for another three years to 31 December 2024 and to revise the annual caps of the transactions contemplated thereunder, to ensure that the Group and BYD Group can continue the continuing connected transactions under the new agreements in respect of the Continuing Connected Transactions.

At present, products of the Group such as those relating to intelligent driving technology and intelligent cockpit are still under verification of research and development or trial production stage. The Group will fully grasp the opportunities it met with of automobile electrification and intelligence, achieve large-scale mass production of relevant products as quickly as possible, and unleash the competitive advantages in the relevant businesses using the technology and resources it accumulated in relevant fields to further expand the business scope of the Group and increase sales revenue. Therefore, the Group expects to further deepen and expand its cooperation with the BYD Group in the area of automotive electronics and smart hardware in the future.

LETTER FROM THE BOARD

IV. INTERNAL CONTROL MEASURES

In addition to compliance with the requirements on annual review by external auditors and independent non-executive Directors under the Listing Rules in respect of the Group's Continuing Connected Transactions, the Company's audit department and finance department is in charge of internal control and risk management to perform internal review and control over the Continuing Connected Transactions of the Company, including reviewing contracts signed between the Company and connected persons, reviewing the performance of procedures prior to signing of contracts as well as the fulfilment of transactions thereunder, inspecting the specific terms of the Company's transactions with connected persons and comparing it with the terms of the same type of transactions of the Company entered into with third parties who are not connected persons on a quarterly basis, to ensure that the pricing and other contractual terms for the Group's Continuing Connected Transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders and that the Continuing Connected Transactions are conducted in accordance with the contracts and in compliance with the laws and regulations.

To ensure the Continuing Connected Transactions do not exceed the annual caps, the business departments of the Group that purchase or supply products under the New Purchase Agreement and the New Supply Agreement shall fill in and submit statistical charts for the Continuing Connected Transactions at least quarterly. In the event that the amount of the Continuing Connected Transactions incurred and to be incurred for a financial year is expected to reach the annual caps, the relevant departments will follow up forthwith by reporting and proposing a response to the management of the Company, and in case that an amendment to the annual caps is required, report particulars to the Board and hold a Board meeting for considering the matters thereabout to ensure compliance of the requirements under the Listing Rules.

The Company also arranges compliance trainings for the Directors, supervisors, senior management and staff from the relevant departments of the Company and its subsidiaries from time to time, primarily focusing on the rules relating to connected transactions under Chapter 14A of the Listing Rules.

V. LISTING RULES IMPLICATIONS

As BYD is the controlling Shareholder of the Company indirectly interested in approximately 65.76% of the issued share capital of the Company as at the date of the New Continuing Connected Transaction Agreements, BYD is a connected person of the Company. Therefore, the transactions contemplated under the New Continuing Connected Transaction Agreements constitute Continuing Connected Transactions of the Company.

Mr. WANG Chuan-fu, a non-executive Director of the Company, is also an executive director and chairman of the board of directors of BYD and is interested in approximately 17.81% of the total issued share capital of BYD as at the date of the New Continuing Connected Transaction Agreements. Accordingly, Mr. WANG Chuan-fu, being a Director who may have a material interest, had voluntarily abstained from voting on the board resolutions of the Company concerning the Continuing Connected Transactions.

LETTER FROM THE BOARD

The Directors have confirmed that the Continuing Connected Transactions have been subject to arm's length negotiation between the Group and the relevant parties, and have been entered into by the Group in the ordinary and usual course of business and either (i) on normal commercial terms or better, or (ii) on terms no less favourable to the Group than those available to or from (as appropriate) independent third parties. The Directors are of the view that the Continuing Connected Transactions, and the relevant proposed New Caps, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As one or more of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the proposed New Caps for the Continuing Connected Transaction for the three years ending 31 December 2024 referred to in sub-section A and B in the section headed "II. Renewal of Non-exempt Continuing Connected Transactions" of this circular exceed 5%, they constitute Non-exempt Continuing Connected Transactions of the Company. The Non-exempt Continuing Connected Transactions and their proposed New Caps are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

VI. INFORMATION ON THE GROUP AND BYD GROUP

The Company and the Group

The Company is incorporated under the laws of Hong Kong with limited liability whose Shares are listed on the Stock Exchange. Approximately 65.76% of the equity interests of the Company is owned by Golden Link Worldwide Limited, a company incorporated in the British Virgin Islands, which is ultimately wholly-owned by BYD. The Group is a global leading high-end platform-based manufacturing enterprise, providing world renowned customers with innovative materials development, product design and development, parts and components as well as complete machine manufacturing, supply chain management, logistics, after-sales and other one-stop services, with products covering four major areas including smartphones and personal laptops, new intelligent products, automotive intelligent system and health care.

BYD

BYD is a joint stock company incorporated in the PRC with limited liability whose shares are listed on the Main Board of the Stock Exchange and the Shenzhen Stock Exchange. The BYD Group is principally engaged in automobile business which includes traditional fuel-engined vehicles and new energy vehicles, handset components and assembly services, as well as rechargeable battery and photovoltaic business, and is actively developing the urban rail transportation business segment by capitalising on its own technology strengths. BYD is ultimately controlled by Mr. WANG Chuan-fu.

LETTER FROM THE BOARD

VII. EGM

A notice convening the EGM to be held at the conference room of BYD at No. 3009, BYD Road, Pingshan District, Shenzhen, the PRC on Wednesday, 9 February 2022 at 10:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. At the EGM, an ordinary resolution will be proposed to consider and, if thought fit, to approve the Non-exempt New Continuing Connected Transaction Agreements and the relevant New Caps by way of poll. BYD and its associates are required to abstain from voting of the resolution at the EGM.

Mr. WANG Nian-qiang, the director of the Company, is a beneficiary of BF Trust which is an employees' trust of the Company with BF Gold Dragon Fly (PTC) Limited acting as the trustee of the trust. As at the Latest Practicable Date, Mr. WANG Nian-qiang was interested in approximately 0.76% of the total issued share capital of the Company of which approximately 0.38% was held through BF Trust. Mr. WANG Nian-qiang and Mr. WANG Chuan-fu were also respectively interested in approximately 0.63% and 17.81% of the total issued share capital of BYD as at the Latest Practicable Date. Mr. WANG Chuan-fu and the trustee of BF Trust in respect of the interest owned by Mr. WANG Nian-qiang will abstain from voting of the resolution at the EGM in respect of the Non-exempt Continuing Connected Transactions.

A proxy form for use in connection with the EGM is accompanied with this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying proxy form in accordance with the instructions printed thereon to the share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from subsequently attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

VIII. CLOSURE OF REGISTER OF MEMBERS

The EGM is scheduled to be held on Wednesday, 9 February 2022. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 4 February 2022 to Wednesday, 9 February 2022, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of Shares should ensure that all the share transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 31 January 2022.

LETTER FROM THE BOARD

IX. RECOMMENDATION

The Independent Board Committee, after taking into account the advice from the Independent Financial Adviser, considers that the terms of the Non-exempt New Continuing Connected Transaction Agreements are fair and reasonable and on normal commercial terms and the relevant New Caps are fair and reasonable, and the Non-exempt New Continuing Connected Transaction Agreements are in the interest of the Company and the Shareholders as a whole and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group, and accordingly recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Non-exempt New Continuing Connected Transaction Agreements and the relevant New Caps.

The text of the letter from the Independent Board Committee is set out on page 16 of this circular. The text of the letter from Honestum International Limited containing its advice to the Independent Board Committee and the Independent Shareholders and the principal factors and reasons which it has taken into account in arriving at its advice is set out on pages 17 to 36 of this circular. Independent Shareholders are strongly recommended to read carefully these two letters for details of the advice.

X. ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendix to this circular and the notice of the EGM.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the full text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to Non-exempt New Continuing Connected Transactions Agreements and the relevant New Caps:



比亞迪電子(國際)有限公司 BYD ELECTRONIC (INTERNATIONAL) COMPANY LIMITED

(incorporated in Hong Kong under the Companies Ordinance with limited liability)

(Stock Code: 285)

18 January 2022

To the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 18 January 2022 issued by the Company (the “**Circular**”) of which this letter forms part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We have been appointed as the members of the Independent Board Committee to consider the Non-exempt New Continuing Connected Transaction Agreements and the relevant New Caps and to advise the Independent Shareholders as to the fairness and reasonableness of the same. Honestum International Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

RECOMMENDATION

We wish to draw your attention to the letter from the Board, as set out on pages 4 to 15 of the Circular, and the letter from Honestum International Limited which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt New Continuing Connected Transaction Agreements and the relevant New Caps as set out on pages 17 to 36 of the Circular.

After taking into consideration the advice from Honestum International Limited, we concur with the views of Honestum International Limited and consider that (i) the terms of the Non-exempt New Continuing Connected Transaction Agreements are fair and reasonable and on normal commercial terms, and the Non-exempt New Continuing Connected Transaction Agreements are in the interests of the Company and the Shareholders as a whole and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group; and (ii) the relevant New Caps are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Non-exempt New Continuing Connected Transaction Agreements and the relevant New Caps.

Yours faithfully
Independent Board Committee

CHUNG Kwok Mo John
*Independent non-executive
Director*

Antony Francis MAMPILLY
*Independent non-executive
Director*

QIAN Jing-jie
*Independent non-executive
Director*

LETTER FROM HONESTUM

The following is the full text of a letter of advice from Honestum International Limited to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.



18 January 2022

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF NON-EXEMPT CONTINUING CONNECTED TRANSACTION

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions and their respective New Caps, the details of which are set out in the circular of the Company to the Shareholders dated 18 January 2022 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Circular.

The terms of the Existing Continuing Connected Transaction Agreements will end on 31 December 2021 and the Company expects such transactions will continue thereafter, therefore, on 8 December 2021, the Company and BYD entered into the New Supply Agreement and the New Purchase Agreement for the period from 1 January 2022 to 31 December 2024. The New Supply Agreement relates to the supply of products by the Group to the BYD Group and the New Purchase Agreement relates to the purchase of products by the Group from the BYD Group. BYD is the controlling Shareholder of the Company and, pursuant to the Listing Rules, is a connected person of the Company. Therefore, the transactions contemplated under the New Supply Agreement and the New Purchase Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Furthermore, as one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the New Caps for the three years ending 31 December 2024 exceed 5%, the Non-exempt Continuing Connected Transactions contemplated under the New Supply Agreement and the New Purchase Agreement constitute non-exempt continuing connected transactions of the Company. As such, accordingly, the Non-exempt Continuing Connected Transactions and their New Caps are subject to, among other requirements, approval by the Independent Shareholders at the EGM.

LETTER FROM HONESTUM

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. CHUNG Kwok Mo John, Mr. Antony Francis MAMPILLY and Mr. QIAN Jing-jie, has been established to advise the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions and their New Caps. We, Honestum International Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

Apart from this engagement in respect of the Non-exempt Continuing Connected Transactions and their New Caps, we did not have any relationships or interests between us and the Group and the BYD Group within the past two years from the Latest Practicable Date under the Listing Rules that could be reasonably regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions and their New Caps. We consider ourselves independent to form our opinion in respect of the Non-exempt Continuing Connected Transactions and their New Caps. Apart from normal professional fees paid or payable to us in connection with this appointment as the independent financial adviser, no arrangement exist whereby we had received or will receive any fees or benefits from the Company or any other party to the transaction.

In putting forth our opinion and recommendation, we have relied on the accuracy of the information and representations included in the Circular and provided to us by the management of the Group. We have assumed that all such information and representations made or referred to in the Circular and provided to us by the management of the Group were true at the time they were made and continued to be true up to the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made in the Circular were reasonably made after due enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Group and have been advised that no material facts have been withheld or omitted from the information provided and referred to in the Circular. We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the management of the Group nor have we conducted any form of investigation into the business, affairs or future prospects of the Group and the BYD Group.

LETTER FROM HONESTUM

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion on the Non-exempt Continuing Connected Transactions and their New Caps, we have taken into account the following principal factors and reasons:

1. Background of the parties

(a) Background information on the Group

The Group is a global leading high-end platform-based manufacturing enterprise, providing world renowned customers with innovative materials development, product design and development, parts and components as well as complete machine manufacturing, supply chain management, logistics, after-sales and other one-stop services, with products covering four major areas including smartphones and personal laptops, new intelligent products, automotive intelligent system and health care. Approximately 65.76% of the equity interests of the Company is owned by Golden Link Worldwide Limited, a company incorporated in the British Virgin Islands, which is ultimately wholly-owned by BYD.

The following table sets out a summary of the recent financial performance of the Group.

	For the year ended 31 December		For the nine months ended 30 September	
	2019	2020	2020	2021
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	53,028	73,121	51,517	65,935
Gross profit	3,957	9,629	7,486	4,604
Profit attributable to owners of the parent	1,598	5,441	4,334	2,157

For the year ended 31 December 2020, the Group recorded revenue of approximately RMB73.1 billion, representing an increase of approximately 37.9% from approximately RMB53.0 billion for the year ended 31 December 2019. The Group recorded profit attributable to owners of the Company of approximately RMB5.4 billion for the year ended 31 December 2020, representing an increase of approximately 240.5% from the year ended 31 December 2019. Such increase was mainly attributable to the expansion of its business, with further growth in the market share of major customers, and continued expansion of business scale, especially the rapid growth in the shipments of glass and ceramic products. The revenue of the Group further increased by approximately 28.0% for the nine months ended 30 September 2021 by continuously investing in research and development and new product distribution.

LETTER FROM HONESTUM

(b) Background information on BYD

BYD is the holding company of the Company with its H shares listed on the Stock Exchange (stock code: 1211 HK) and A shares listed on the Shenzhen Stock Exchange (stock code: 002594 SZ).

The BYD Group is principally engaged in automobile business which includes traditional fuel-engined vehicles and new energy vehicles, handset components and assembly services, as well as rechargeable battery and photovoltaic business while taking advantage of its technological superiority to actively develop urban rail transportation business segment.

2. Background and reasons for the New Supply Agreement and the New Purchase Agreement

We have discussed with and are advised by the management of the Group that:

- (i) back in December 2002, the Group commenced operations as a division of the then BYD Group, which had business and operation with other divisions of the then BYD Group, with a view to serve internal needs of the then BYD Group;
- (ii) back in December 2007, the Company was spun off and had its shares listed on the Stock Exchange; and
- (iii) since the listing of the Company, the Group has been conducting continuing connected transactions (including the types of transactions contemplated under the New Supply Agreement and the New Purchase Agreement) with the BYD Group for, among other things, the operation stability and logistics efficiency of the Group, in light of the close working relationship between the Group and the BYD Group. Furthermore, we understand from the management of the Group that transactions with the BYD Group are more time and cost efficient by saving costs related to, among others, transportation and administration, and the possible lengthy negotiation with various customers/suppliers individually. The Group may further enhance its competitiveness by virtue of the supply chain scale system of the BYD Group.

The terms of the Existing Continuing Connected Transaction Agreements will end on 31 December 2021 and the Company expects such transactions will continue thereafter, therefore, on 8 December 2021, the Company and BYD entered into the New Supply Agreement and the New Purchase Agreement for the period from 1 January 2022 to 31 December 2024.

LETTER FROM HONESTUM

Pursuant to the New Supply Agreement, the Group agreed to supply to the BYD Group products required for the production of the products of the BYD Group, such as rotatable display screens, injection molded parts, moulds and certain other products and materials. We are advised by the management of the Group that the transactions contemplated under the New Supply Agreement are revenue in nature to the Group.

Pursuant to the New Purchase Agreement, the BYD Group agreed to supply batteries used for production of specific new intelligent products and materials used for production of handset casings, plastic structural materials, packaging materials and certain other products and materials to the Group, with a view to controlling production costs by the Group. We are advised by the management of the Group that the transactions contemplated under the New Purchase Agreement are revenue in nature to the Group.

Taking into account, in particular, (i) the transactions contemplated under the New Supply Agreement and the New Purchase Agreement are revenue in nature to the Group; (ii) the close business relationship established between the Group and the BYD Group, where such continuing connected transactions have been conducted since the listing of the Company; and (iii) the terms of the New Supply Agreement and the New Purchase Agreement are fair and reasonable as further discussed below, we are of the view that the entering into of the New Supply Agreement and the New Purchase Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the New Supply Agreement and the New Purchase Agreement

A. *The New Supply Agreement*

In respect of price determination of the transactions under the New Supply Agreement, the Group will determine the selling prices with reference to, and generally shall not be lower than, prices charged to its independent third party customers for similar products, which represents the then prevailing market prices. In respect of the payment terms of the transactions under the New Supply Agreement, as stated in the letter from the Board in the Circular, payment of each transaction under the New Supply Agreement will be made in accordance with the payment terms agreed by the relevant parties in the relevant contract(s) or order.

In order to assess the fairness and reasonableness of the terms of sales of the Group's products to the BYD Group, we have obtained and reviewed the Group's sales breakdown with the BYD Group by product categories during the two years ended 31 December 2020 and the nine months ended 30 September 2021 (the "**Review Period**") provided by the Group and identified the top three categories of products by sales amount ("**Top Three Product Sales Categories**"), namely rotatable display screen, moulds and injection molded parts. We have obtained and reviewed the sample documents (such as orders and invoices) of six randomly selected sales transactions during the 6-month period immediately before the date of this letter for each of the Top Three Product Sales Categories. We have then compared the sample documents against six sets of sample

LETTER FROM HONESTUM

documents of similar transactions between the Group and its independent third party customers during the 6-month period. In view of the facts that (i) the sales amounts of the Top Three Product Sales Categories' represented in aggregate approximately 86%, 39% and 69% of the total sales amount with the BYD Group during the Review Period; and (ii) all sample documents were selected on a random basis and spread across the period, we are of the view that the samples we selected are fair and reasonable for assessment. Based on our review of the aforesaid documents, we noted that (i) the sales prices offered to the BYD Group were not lower than those offered to the independent third party customers for similar type of products; and (ii) for payment terms, sales to the BYD Group and the independent third party customers were both payable within 60 days. Furthermore, we have reviewed the latest annual report of the Company, where we noted that the trading terms of the Group with its customers are mainly on credit and the credit period is generally two to three months. Therefore, we consider that the payment terms offered by the Group to the BYD Group are generally in line with that offered to its independent third party customers.

In conclusion, based on our review as stated above, we are of the view that the selling prices and payment terms with the BYD Group for these transactions were no less favourable than those with independent third parties and such transactions have been adhered to the internal control measures of the Group in respect of reviews of the terms with independent third parties (details of which are set out below). Taking into account the above and the fact that (i) there are no material differences in the principal terms of the New Supply Agreement and the Existing Continuing Connected Transaction Agreements; and (ii) the Group will continue to implement the same policy to review and ensure the terms offered by the Group to the BYD Group be no less favourable than those with independent third parties, we are of the view that the terms of the New Supply Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

B. The New Purchase Agreement

In respect of price determination of the transactions under the New Purchase Agreement, for the BYD Group's purchases of products other than batteries, the Group will determine the purchase prices with reference to prices charged by its independent third party suppliers for similar products, which represents the then prevailing market prices, and in any event at terms and prices no less favourable than those offered to the Group by an independent third party for the same or similar products. For purchases of batteries, the prices of the batteries offered by the BYD Group to the Group shall be with reference to the costs of production of the batteries of the BYD Group plus a profit margin agreed between the Group and the BYD Group after arm's length negotiation (such profit margin shall not be greater than such profit margin which BYD Group has in respect of similar products supplied by BYD Group to its independent third party customers), and in any event at terms and prices no less favourable those offered to the Group by an independent third party for the same or similar type of batteries offered in the PRC and for the same or comparable volume, delivery schedules and terms. In respect of the payment terms of the transactions under the New Purchase Agreement, as stated in the

LETTER FROM HONESTUM

letter from the Board in the Circular, payment of each transaction under the New Purchase Agreement will be made in accordance with the payment terms agreed by the relevant parties in the relevant contract(s) or order.

In order to assess the fairness and reasonableness of the terms of purchase of products by the Group from the BYD Group, we have obtained and reviewed the Group's purchase breakdown with the BYD Group by product categories during the two years ended 31 December 2020 and the nine months ended 30 September 2021 (the "**Review Period**") provided by the Group and identified the top three categories of products by purchase amount ("**Top Three Product Purchase Categories**"), namely batteries, packaging material and plastic structural materials. We have obtained and reviewed the sample documents (such as orders and invoices) of six randomly selected purchase transactions during the 6-month period immediately before the date of this letter for each of the Top Three Product Purchase Categories. In respect of packaging material and plastic structural materials, we have then compared the sample documents against six sets of sample documents of similar transactions between the Group and its independent third party suppliers during the 6-month period. In respect of batteries, there is no such reference price available to the Group during the nine months ended 30 September 2021. This is because batteries supplied by the BYD Group under the New Purchase Agreement are made-to-order in accordance with specifications required by the Group, and since the BYD Group, being an established battery producer in the world that is also the controlling shareholder of the Group, is one of the biggest competitors of other battery producers, batteries from other suppliers may not be available for purchase by the Group. Therefore, we have instead compared the sample documents against six sets of sample documents of similar transactions between the BYD Group and its independent third party customers during the 6-month period immediately before the date of this letter. Further, we have obtained and reviewed the cost and profit margin data of the aforesaid BYD Group's randomly selected transactions of batteries with the Group and its independent third party customers in respect of the same or similar batteries. In view of the facts that (i) the purchase amounts of the Top Three Product Purchase Categories' represented in aggregate approximately 8%, 53% and 84% of the total purchase amount with the BYD Group during the Review Period; and (ii) all sample documents were selected on a random basis and spread across the period, we are of the view that the samples we selected are fair and reasonable for assessment. Based on our review of the aforesaid documents, we noted that (i) the purchase prices offered by the BYD Group were not higher than those offered by the independent third party suppliers for similar type of products; (ii) the BYD Group's profit margin of batteries supplied to the Group is not greater than such profit margin that BYD Group supplied to its independent third party customers in respect of the same or similar batteries; and (iii) for payment terms, purchases from the BYD Group and the independent third party suppliers were both payable within 90 days. Furthermore, we have reviewed the latest annual report of the Company, where we noted that the trade payables of the Group are normally settled within terms of 30 to 180 days. Therefore, we consider that the payment terms offered by the BYD Group to the Group are generally in line with that offered by its independent third party suppliers.

LETTER FROM HONESTUM

In conclusion, based on our review as stated above, we are of the view that the purchase prices and payment terms with the BYD Group for these transactions were no less favourable than those with independent third parties and such transactions have been adhered to the internal control measures of the Group in respect of reviews of the terms with independent third parties (details of which are set out below). Taking into account the above and the fact that (i) there are no material differences in the principal terms of the New Purchase Agreement and the Existing Continuing Connected Transaction Agreements; and (ii) the Group will continue to implement the same policy to review and ensure the terms offered by the BYD Group to the Group be no less favourable than those with independent third parties, we are of the view that the terms of the New Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

Internal measures

In respect of the sales of the Group's products to the BYD Group, based on our discussions with the management of the Group, we understand that the Group is required to make reference to the selling prices to those offered to independent third party customers prior to entering into the transaction with the BYD Group and transact with the BYD Group at the same prices of comparable products sold to independent third parties. The Group has already implemented a policy to review the terms of supply of products offered to the BYD Group before proceeding to give quotations to the BYD Group in respect of its purchase orders. Particularly, the Group will compare the terms of supply of products, including but not limited to the prices, in respect of the same or similar products offered to independent third party customers, to ensure that the terms offered by the Group to the BYD Group will be no more favourable than those offered to independent third party customers of the Group.

In respect of the purchase of products from the BYD Group (including batteries), based on our discussions with the management of the Group, we understand that the Group's internal control policies require the Group to obtain two or three quotations from suppliers (unless there is no such reference price available), including the BYD Group and other independent third party suppliers in respect of different products (except for materials of insignificant amount) before making purchase orders with the BYD Group. Upon receiving quotations, the Group will compare the prices and other criteria (such as capability to meet the Group's delivery schedule and ensure quality of products) offered by the BYD Group with those offered by independent third party suppliers. Where there is no other independent third party suppliers available for any particular product or where there is no such reference price available, the Group will request that the BYD Group provide at least 3 executed purchase orders of independent third party customers of the BYD Group in respect of the same or similar products during the same period to the Group. After receiving the executed purchase orders from the BYD Group, the Group will compare the prices offered by the BYD Group to the Group with that to the independent third party customers of the BYD Group so as to determine that the prices and terms of the purchase order offered by the BYD Group to the Group is no less favourable than those offered by the BYD Group to its independent third party customers.

LETTER FROM HONESTUM

In respect of purchases of batteries, in order to determine whether the profit margin agreed between the Group and BYD Group is at such profit margin that is not greater than such profit margin which BYD has in respect of similar products supplied by BYD Group to its independent third party customers, the Group will request that the BYD Group provide relevant data of the Group's purchase order and at least 3 executed purchase orders of independent third party customers of the BYD Group in respect of the same or similar batteries during the same period to the Group. The Group will compare the profit margin which the BYD Group has under the Group's purchase orders with that of BYD Group's independent third party customers to confirm that the profit margin of batteries to be supplied to the Group is not greater than such profit margin that BYD Group has in respect of the same or similar batteries.

The Group will conclude the transactions with the BYD Group only if those selection criteria can be met after taking into consideration a range of relevant factors, including but not limited to, prices, terms of delivery, specification of the products, terms of payment and size of order, in order to safeguard the interests of the Group.

Moreover, the Non-exempt Continuing Connected Transactions will be properly recorded, including but not limited to, prices determined and transaction amounts. The management of the Group will also review the respective pricing policies on a regular basis and compare the quotations provided to/by the BYD Group and the other independent third party customers or suppliers. The Group keeps a record of transactions with the BYD Group and independent third party customers or suppliers, and regularly tracks information regarding the market prices of comparable products. Before agreeing on the unit prices, credit terms and other terms with the BYD Group, the Group will analyse the unit prices, credit terms and other terms for similar products offered to/by independent third party customers or suppliers to ensure that the transactions with the BYD Group are on terms no less favourable to the Group. In order to safeguard the interests of the Group, the Group will conclude the transactions with the BYD Group only if it is satisfied that the unit prices, credit terms and other terms offered to/by the BYD Group are on normal commercial terms no less favourable to the Group offered to/by independent third parties. The management of the Group has confirmed that there has not been any non-compliance of such internal control policies in the past three years.

Furthermore, the Company has set up relevant departments in charge of internal control and risk management to perform internal review and control over the Continuing Connected Transactions of the Company, including reviewing contracts signed between the Company and connected persons, reviewing the performance of procedures prior to signing of contracts as well as the fulfilment of transactions thereunder, regularly inspecting the specific terms of the Company's transactions with connected persons and comparing it with the terms of the same type of transactions of the Company entered into with third parties who are not connected persons, to ensure that the pricing and other contractual terms for the Group's Continuing Connected Transactions are on normal

LETTER FROM HONESTUM

commercial terms, fair and reasonable and in the interests of the Company and the Shareholders and that the Continuing Connected Transactions are conducted in accordance with the contracts and in compliance with the laws and regulations.

Moreover, in accordance with the Listing Rules, (i) the independent non-executive Directors shall continue to report annually on whether the Non-exempt Continuing Connected Transactions are, among other things, conducted on normal commercial terms; and (ii) the independent auditors of the Company shall also continue to report on the Non-exempt Continuing Connected Transactions. We have further reviewed the two most recent annual reports of the Company and noted that, for each of the years ended 31 December 2019 and 2020, (i) the Directors, including the independent non-executive Directors, had reviewed the continuing connected transactions of the Company, including the categories of transactions contemplated under the New Supply Agreement and the New Purchase Agreement, and confirmed, among other things, such transactions were conducted on normal commercial terms; and (ii) the independent auditors of the Company had also reported on such transactions. Accordingly, we understand the Group has a positive track record in respect of compliance with the Listing Rules.

Taking into account, in particular, (i) the terms of the transactions contemplated under the New Supply Agreement and the New Purchase Agreement shall be no less favourable than those with independent third parties; (ii) the aforementioned internal control measures of the Group in respect of reviews of the terms with independent third parties; and (iii) the positive track record of the Group in respect of compliance with the Listing Rules, we are of the view that the terms of the New Supply Agreement and the New Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

4. New Caps of the New Supply Agreement and the New Purchase Agreement

We have discussed with and are advised by the management of the Group that (i) the transactions with the BYD Group under the New Supply Agreement are primarily for the supply of materials, parts and components for the business sector of the BYD Group related to new energy vehicle (“EV”); and (ii) the transactions with the BYD Group under the New Purchase Agreement are primarily for the purchase of materials, parts and components for the business sector of the Group related to new intelligent products, mobile handset components and modules manufacturing.

LETTER FROM HONESTUM

Set out below are (i) the historical amounts of the supply of products to the BYD Group and the purchase of products from the BYD Group; (ii) the Existing Caps and the utilisation rates for the Continuing Connected Transactions set out in this Circular; and (iii) the New Caps under the New Supply Agreement and the New Purchase Agreement:

	For the year ended 31 December 2019 <i>RMB million</i>	For the year ended 31 December 2020 <i>RMB million</i>	For the nine months ended 30 September 2021 <i>RMB million</i>
Historical amount of supply of products to the BYD Group	1,019	2,500	1,799
Historical amount of purchase of products from the BYD Group	908	1,691	1,309
	For the year ended 31 December 2019 <i>RMB million</i>	For the year ended 31 December 2020 <i>RMB million</i>	For the year ending 31 December 2021 <i>RMB million</i>
Existing Supply Agreement			
Existing Caps	2,275	2,824	3,452
Utilisation Rates (%)	45%	89%	Undetermined yet
Existing Purchase Agreement			
Existing Caps	950	2,019	2,535
Utilisation Rates (%)	96%	84%	Undetermined yet
	For the year ending 31 December 2022 <i>RMB million</i>	For the year ending 31 December 2023 <i>RMB million</i>	For the year ending 31 December 2024 <i>RMB million</i>
New Supply Agreement			
New Caps	6,492	7,772	9,201
New Purchase Agreement			
New Caps	2,828	3,698	5,078

LETTER FROM HONESTUM

Note: The New Caps and their underlying assumptions shall not be construed as an assurance by the Group of its future revenue, profitability or cashflow.

We understand from the Company that the New Caps under the New Supply Agreement and the New Purchase Agreement are determined after taking into account the following factors:

A. *The New Supply Agreement*

- (i) the historical transaction amounts;
- (ii) the expected substantial increase in demand of the BYD Group for the Group's products (in particular, rotatable display screens which are also used for the production of BYD Group's new energy vehicles) for the three years ending 31 December 2024; and
- (iii) the increase in production and operation capacity of the Group

B. *The New Purchase Agreement*

- (i) the historical transaction amounts; and
- (ii) the rapid development of relevant businesses of the Group (in particular, the expected growth of the business of specific new intelligent products including smart home products).

In respect of the fairness and reasonableness of the New Caps, we have performed the following work and analysis.

A. *The New Supply Agreement*

- we have reviewed the historical actual and the expected upcoming transaction amounts in relation to the New Supply Agreement as mentioned in the letter from the Board in the Circular. We noted that (i) the historical actual transaction amount was approximately RMB2,500 million for the year ended 31 December 2020, representing an increase of approximately 145% from approximately RMB1,019 million for the year ended 31 December 2019. The historical actual transaction amount further increased from approximately RMB1,420 million for the nine months ended 30 September 2020 to approximately RMB1,799 million for the nine months ended 30 September 2021, representing a growth rate of approximately 27% as compared with the same period in 2020. Accordingly, we understand the transaction amount has recently demonstrated a growth trend; (ii) the New Cap for the year ending 31 December 2022 represents a growth of approximately 88% as

LETTER FROM HONESTUM

compared with the Existing Caps for the year ending 31 December 2021; and (iii) the New Cap for each of the years ending 31 December 2023 and 2024 represents an annual growth of approximately 20% and 18%, respectively;

- we have reviewed the breakdown of the calculation of the New Caps and we have discussed with and are advised by the management of the Group that the amounts of the New Caps are determined based on the estimated procurement amount (including the forecast sales volume) of each major category of products which the BYD Group liaised with the Group in view of the upcoming production of the BYD Group. Such estimated procurement amounts for each major category of products are estimated by the responsible business representative of the BYD Group mainly with reference to the actual transaction amount during the Review Period and the anticipated demand for the relevant products after taking into account the nature of products, the market development trend as well as the expected business growth of the BYD Group. Further, to estimate the transaction amounts for rotatable display screen (“RDS”), the management of the Group has mainly made reference to the upcoming production and sales plan of vehicles of the BYD Group and the recent actual unit price of RDS sold by the Group to the BYD Group. We have obtained and reviewed the relevant production and sales plan prepared by the BYD Group and consider that such proposed plan is reasonable based on the factors as discussed below;
- we have obtained and reviewed the New Caps estimation schedule prepared by the management of the Group and noted that (i) the higher amounts of the New Caps as compared with the historical actual transaction amounts are mainly attributable to the expected increase in the sales of RDS, which is a component of EV and commenced sales in 2018; (ii) the historical actual transaction amount of RDS with the BYD Group was approximately RMB780 million and RMB1,062 million for the year ended 31 December 2020 and the nine months ended 30 September 2021, respectively. The transaction amount of RDS with the BYD Group, based on transaction records and orders on hand, is expected to exceed RMB1,800 million for the year ending 31 December 2021, which represents approximately 52% of the Existing Cap for the year; (iii) the transaction amount of RDS under the New Caps is approximately RMB5,500 million, RMB6,600 million and RMB7,900 million, representing approximately 85%, 85% and 86% of the New Caps, for each of the years ending 31 December 2022, 2023 and 2024, respectively, which is estimated by the Group with reference to the estimated number of vehicles to be sold by the BYD Group in the coming years and the recent actual unit price of RDS sold to the BYD Group; and (iv) the fairness and reasonableness of the transaction amount of RDS under the New Caps can be made reference to the projection by the management of the Group which is calculated by the estimated number of EVs to be sold by the BYD Group in the coming years multiplied by the recent actual unit price of RDS sold to the BYD Group, where we have reviewed, including but not limited to

LETTER FROM HONESTUM

documents on the recent actual unit price of RDS, the actual number of vehicles sold by the BYD Group and the upcoming sales plan of vehicles of the BYD Group, and considered them to be acceptable for the purpose of determining the New Cap taking into account:

- (a) in assessing the reasonableness of the price in determining the New Caps with regard to the portion of sales of RDS to the BYD Group, we have (i) reviewed the average unit price of RDS sold to the BYD Group for the nine months ended 30 September 2021 and noted that the unit price remained relatively stable during the period; and (ii) reviewed recent sales invoices in respect of the RDS sold by the Group to the BYD Group and to the independent third party customers and compared them against the unit price of the forecasted sales of RDS to the BYD Group and noted that such expected unit price is at a similar level with the recent actual unit price;
- (b) we noted from the recent announcements of the BYD Group that (i) the majority of the consolidated revenue of the BYD Group for each of the years ended 31 December 2019 and 2020 and the six months ended 30 June 2021 were derived from automobiles and related products; (ii) the BYD Group proactively pushed forward the EV business and its sales volume continued to lead the domestic new energy vehicle market and remained at the forefront in the world. Its sales volume of EVs achieved a year on year growth of approximately 204% for the nine months ended 30 September 2021; and (iii) the BYD Group will seize the opportunities arising from the robust development of the EV industry and further strengthen research and development, enhance product competitiveness and accelerate the launch of new models to satisfy the fast growing market demand. Accordingly, it is expected that their new EV, which will continue to equip with RDS, will continue to maintain rapid growth in the future. As a result, in view of the expansion of the BYD Group's EV business and the Group's increase in production capacity to meet with BYD's business expansion, the expected demand of the Group's products, particularly the RDS, required for the production of the BYD Group's products will increase substantially for the coming years;
- (c) the high-end flagship model "Han model" became the first medium/large sedan with a monthly sales volume of over 10,000 units in China's auto industry. As of June 2021, the model "Han" has reached about 90,000 units. Furthermore, new models of vehicles with RDS are being released, such as the "Qin PLUS DM-i model", "Song PLUS DM-i model", "Tang DM-i model" and "Dolphin model" which was recently released and are expected to boost the sales volume of the BYD Group's new energy vehicles which equip with RDS; and

LETTER FROM HONESTUM

- (d) according to the data from China Association of Automobile Manufacturers, the production and sales volume of new energy vehicles in the first half of 2021 were approximately 1.25 million and 1.21 million respectively, increased by 200.6% and 201.5% year-on-year, respectively. Furthermore, in November 2020, the General Office of the State Council formally promulgated the “Development Plan for the New Energy Automobile Industry (2021-2035)”, making it explicit that by 2025, the market share of new energy vehicles sales volume would account for about 20% of the total, and by 2035, pure electric vehicles should become the mainstream among sales of vehicles. With the expansion of the global new energy vehicle market, the continuous enrichment of the new EV product matrix and the continuous improvement of the brand image of BYD Group, the proportion of vehicles using RDS will continue to increase in the future. Accordingly, we understand the percentage growth rates represented by the New Caps mentioned previously are primarily driven by the estimated procurement amounts by the BYD Group to satisfy its needs of RDS for production, where such transactions are revenue in nature and on fair and reasonable terms to the Group.
- as discussed above, the estimated transaction amounts of RDS to be sold to the BYD Group for the years ending 31 December 2022, 2023 and 2024 are projected by the estimated number of EVs to be sold by the BYD Group in the coming years multiplied by the recent actual unit price of RDS sold to the BYD Group. To project the estimated number of EVs to be sold by the BYD Group for the coming years, the management of the BYD Group have taken into account, among other things, (i) the actual number of vehicles sold by the BYD Group for the nine months ended 30 September 2021, which recorded a year on year growth of approximately 204% as compared with the previous year; (ii) the upcoming sales plan of vehicles of the BYD Group including the new models of EVs to be released for the coming years; and (iii) the overall sales volume of EVs in the PRC for the coming years and the expected market shares of the BYD Group in the new energy vehicles industry. Based on our review of information and documents in relation to the aforementioned factors, we are of the view that the Company’s estimation of the transaction amount of RDS for the years ending 31 December 2022, 2023 and 2024 is fair and reasonable.

LETTER FROM HONESTUM

B. The New Purchase Agreement

- we have reviewed the historical actual and the expected upcoming transaction amounts in relation to the New Purchase Agreement as mentioned in the letter from the Board in the Circular. We noted that (i) the historical actual transaction amount was approximately RMB1,691 million for the year ended 31 December 2020, representing an increase of approximately 86% from approximately RMB908 million for the year ended 31 December 2019. Accordingly, we understand the transaction amount has recently demonstrated a growth trend; (ii) the New Cap for the year ending 31 December 2022 represents a growth of approximately 12% as compared with the Existing Caps for the year ending 31 December 2021; and (iii) the New Cap for each of the years ending 31 December 2023 and 2024 represents an annual growth of approximately 31% and 37%, respectively;
- we have reviewed the breakdown of the calculation of the New Caps and we have discussed with and are advised by the management of the Group that (i) the amounts of the New Caps are determined based on the estimated procurement amount (including the forecast sales volume) of each major category of products which the Group liaised with the BYD Group in view of the upcoming production of the Group. Such estimated transaction amounts for each major category of products are estimated by the responsible business representative of the Group mainly with reference to the actual transaction amount during the Review Period and the anticipated demand for the relevant products after taking into account the nature of products, the market development trend as well as the expected business growth of the Group. Further, in respect of the estimated transaction amounts for batteries, the management has mainly made reference to the upcoming production and sales plan of new intelligent products of the Group and the recent actual unit price of batteries sold by the BYD Group to the Group. We have obtained and reviewed the relevant production and sales plan prepared by the Group and consider that such proposed plan is reasonable based on the factors as discussed below;
- we have obtained and reviewed the New Caps estimation schedule prepared by the management of the Group and noted that (i) the higher amounts of the New Caps as compared with the historical actual transaction amounts are mainly attributable to the expected increase in the procurement of batteries, which is used for certain new intelligent products (mainly smart home equipment) produced by the Group; (ii) the historical actual transaction amount of batteries purchased from the BYD Group was approximately RMB19 million, RMB841 million and RMB1,078 million for the years ended 31 December 2019 and 2020 and the nine months ended 30 September 2021, respectively. The transaction amount of batteries purchased from the BYD Group, based on transaction records and orders on hand, is expected to exceed RMB1,500 million for the year ending 31 December 2021, which represents approximately 60% of the Existing Cap for the year. In assessing the reasonableness of such estimation, we have obtained and reviewed the transaction records in respect of the Group's purchase of batteries from the BYD Group for the eleven months

LETTER FROM HONESTUM

ended 30 November 2021 and noted that the transaction amount had reached approximately RMB1,350 million during the period; (iii) the transaction amount of batteries under the New Caps is approximately RMB2,300 million, RMB3,100 million and RMB4,400 million, which represents approximately 80%, 83% and 86% of the New Caps, for each of the years ending 31 December 2022, 2023 and 2024, respectively, which is estimated by the Group with reference to the estimated number of new intelligent products to be sold by the Group in the coming years and the recent actual unit price of batteries purchased from the BYD Group; and (iv) the fairness and reasonableness of the transaction amount of batteries under the New Caps can be made reference to the projection by the management of the Group which is calculated by the estimated number of new intelligent products to be sold by the Group which require batteries in the coming years multiplied by the recent actual unit price of batteries purchased from the BYD Group, where we have reviewed, including but not limited to documents on the recent actual unit price of batteries, the actual number of new intelligent products sold by the Group and the upcoming sales plan of new intelligent products of the Group, and considered them to be acceptable for the purpose of determining the New Cap taking into account:

- (a) in assessing the reasonableness of the price in determining the New Caps with regard to the portion of purchase of batteries from the BYD Group, we have (i) reviewed the average unit price of batteries purchased from the BYD Group for the nine months ended 30 September 2021 and noted that the unit price remained relatively stable during the period; and (ii) reviewed six procurement invoices in respect of the batteries purchased by the Group from the BYD Group during the 6-month period immediately before the date of this letter and compared them against the unit price of the forecasted purchase of batteries from the BYD Group and noted that such expected unit price is at a similar level with the recent actual unit price. Given that there is no material difference in the unit prices for all the samples selected and that such unit prices are also at a similar level with the historical average unit price of batteries purchased from the BYD Group for the nine months ended 30 September 2021, we consider that the samples selected are fair and representative of the prices of batteries;

- (b) we noted from the recent announcements of the Group that (i) the Group has continued expanding the new intelligent product business and has formed a comprehensive array of business domains covering the Internet of Things, smart home, gaming hardware, robots, unmanned aerial vehicles, electronic atomization, smart commercial equipment and industrial control. The revenue from the new intelligent product business accounted for approximately 13% and 11% of the Group's overall revenue for the year ended 31 December 2020 and the six months ended 30 June 2021, respectively; (ii) the new intelligent product business of the Group maintained a rapid growth for the six months ended 30 June 2021, representing an increase in revenue of approximately 38.4% year-on-year, mainly attributable to the development of the Novel

LETTER FROM HONESTUM

Coronavirus (COVID-19) pandemic and the growth of “stay-at-home” economy; and (iii) given the rapidly increase in demand in the European market for the new intelligent products produced by the Group since 2020 due to the aforementioned reasons, the Group has actively commenced the development and trial production of new intelligent products (mainly smart home equipment) to capture the market demand, and accordingly it is expected that the Group will require more batteries for the production of the aforementioned new intelligent products; and

- (c) according to the data from IDC, the market shipments of smart home devices in China in the first quarter of 2021 was 46.99 million units, representing a year-on-year increase of 27.7%. Meanwhile, shipments of the Group’s representative products such as intelligent furniture increased continuously, contributing to the rapid growth of the Group’s new intelligent business. Furthermore, we have discussed with and are advised by the management of the Group that under the impact of the global Novel Coronavirus (COVID-19) pandemic, the delivery of the Group’s new intelligent products to certain European countries had been affected due to the shipment restrictions imposed by the local governments, which led to the decrease in number of sales orders from certain European countries. Furthermore, the global volatile economic environment brought by the COVID-19 had also affected the consumer sentiment in certain extent. As the COVID-19 pandemic fades and the Group continues to expand its new intelligent business in the European market, we concur with the view of the Directors that the sales of the above new intelligent products will further increase when the Novel Coronavirus (COVID-19) pandemic eases for the year ending 31 December 2022. Accordingly, we understand the percentage growth rates represented by the New Caps mentioned previously are primarily driven by the estimated procurement amounts by the Group to satisfy its needs of batteries for the new intelligent business, where such transactions are revenue in nature and on fair and reasonable terms to the Group.
- as discussed above, the estimated transaction amounts of batteries to be purchased from the BYD Group for the years ending 31 December 2022, 2023 and 2024 are projected mainly based on the estimated number of new intelligent products to be sold by the Group which require batteries in the coming years multiplied by the recent actual unit price of batteries purchased from the BYD Group. To project the estimated number of new intelligent products to be sold by the Group which require batteries for the coming years, the management of the Group have taken into account, among other things, (i) the actual number of new intelligent product sold by the Group for the six months ended 30 June 2021, which recorded an increase in revenue of approximately 38.4% year-on-year as compared with the previous year; (ii) the upcoming sales plan of new intelligent product of the Group including the new array of products to be released for the coming years; and (iii) the overall new

LETTER FROM HONESTUM

intelligent business and smart home devices industry for the coming years. Based on our review of information and documents in relation to the aforementioned factors, we are of the view that the Company's estimation of the transaction amount of batteries for the years ending 31 December 2022, 2023 and 2024 is fair and reasonable.

Having taken into account the aforementioned basis in determining the New Caps for the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2024 and our relevant work and analysis performed as set out above, we concur with the Directors' view that the New Caps have been arrived at on a fair and reasonable basis.

5. Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the Non-exempt Continuing Connected Transactions must be restricted by the New Caps; (ii) the terms of the Non-exempt Continuing Connected Transactions must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Non-exempt Continuing Connected Transactions must be included in the Company's subsequent published annual reports. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the transactions (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant agreement governing the Non-exempt Continuing Connected Transactions; and (iii) have exceeded the New Caps. In the event that the total amounts of the Non-exempt Continuing Connected Transactions are anticipated to exceed the New Caps, or that there is any proposed material amendment to the terms of the Non-exempt Continuing Connected Transactions, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

RECOMMENDATION

Having considered the above principal factors, we are of the opinion that the entering into of the New Supply Agreement and the New Purchase Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole. We are also of the opinion that the terms of the New Supply Agreement and the New Purchase Agreement are on normal commercial terms and, together with the New Caps, are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions to approve the Non-exempt Continuing Connected Transactions and their New Caps at the EGM.

LETTER FROM HONESTUM

Yours faithfully,
For and on behalf of
Honestum International Limited

Michael Chum
Chairman

Sam Yip
Associate Director

Note: Mr. Michael Chum is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Honestum International Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 25 years of experience in corporate finance industry. Mr. Sam Yip is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Honestum International Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 9 years of experience in corporate finance industry.

1. 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 Group. 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.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interest and short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

(i) Long position in the shares

Name of Director	Capacity	Number of Shares held	Approximate percentage of total issued share capital as at the Latest Practicable Date	Note
Mr. WANG Nian-qiang	Beneficial owner and Beneficiary	17,102,000	0.76%	(1)
Mr. WANG Bo	Beneficiary	2,805,000	0.12%	(2)
Mr. QIAN Jing-jie	Beneficial owner	5,000	0.00%	

Notes:

- (1) Of which 8,500,000 shares are held by Mr. Wang Nian-qiang and 8,602,000 shares held by Gold Dragonfly Limited (“**Gold Dragonfly**”), a company incorporated in the British Virgin Islands and wholly-owned by BF Gold Dragon Fly (PTC) Limited (“**BF Trustee**”) as trustee of BF Trust, the beneficiaries of which include Mr. WANG Nian-qiang.
- (2) The shares are held by Gold Dragonfly, a company wholly-owned by BF Trustee as trustee of BF Trust, of which Mr. WANG Bo is one of the beneficiaries.

(ii) Long positions in the shares of associated corporations

Name of associated corporation	Name of Director (Note 3)	Capacity	Number of shares held as at the Latest Practicable Date	Percentage of total issued share capital of the relevant associated corporation as at the Latest Practicable Date	Note
BYD	Mr. WANG Nian-qiang	Beneficial owner	18,299,740	0.63%	(1)
	Mr. WANG Chuan-fu	Beneficial owner	518,351,550	17.81%	(2)

Notes:

- (1) These are the A shares of BYD held by Mr. WANG Nian-qiang. The total issued share capital of BYD as at the Latest Practicable Date was RMB2,911,142,855, comprising 1,813,142,855 A shares and 1,098,000,000 H shares, all were of par value of RMB1 each. The A shares of BYD held by Mr. WANG Nian-qiang represented approximately 1.01% of the total issued A shares of BYD as of the Latest Practicable Date.
- (2) These are the 513,623,850 A shares, 3,727,700 A shares held in No.1 Assets Management Plan through E Fund BYD and 1,000,000 H shares of BYD held by Mr. WANG Chuan-fu, which represented approximately 28.53% and approximately 0.09% of total issued A shares and H shares of BYD as at the Latest Practicable Date, respectively. Mr. Wang Chuan-fu is also an executive director and chairman of the board of BYD.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or were required to be entered in the register required to be kept by the Company pursuant to section 352 of the SFO; or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

(b) Interests of substantial shareholders*(i) Long Position in the shares*

As at the Latest Practicable Date, so far as was known to the Directors, the persons (other than the Directors) having interests in the Shares and underlying Shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of Shareholder	Capacity	Number of Shares	Percentage of total issued share capital as at the Latest Practicable Date	Note
Golden Link Worldwide Limited (“Golden Link”)	Beneficial interest	1,481,700,000	65.76%	(1)
BYD (H.K.) Co., Limited (“BYD H.K.”)	Interest of controlled corporation	1,481,700,000	65.76%	(1)
BYD	Interest of controlled corporation	1,481,700,000	65.76%	(1)

Notes:

- (1) BYD is the sole shareholder of BYD H.K., which in turn is the sole shareholder of Golden Link. As such, both BYD H.K. and BYD were deemed to be interested in the shares of the Company held by Golden Link.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, other than a Director or chief executive of the Company, there was no person who had an interest or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of other members of the Group or any options in respect of such capital.

3. DIRECTORS' INTERESTS IN CONTRACTS

As at the Latest Practicable Date:

- (a) none of the Directors had entered, or proposed to enter into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation;
- (b) save for (i) the acquisition of assets from BYD as announced by the Company on 7 January 2021; (ii) the equity transfer agreement entered into between BYD Precision and BYD and the supplemental agreement entered into between BYD and the Company as announced by the Company on 6 April 2021; (iii) the acquisition of assets from BYD as announced by the Company on 13 August 2021; and (iv) the acquisition of assets from BYD as announced by the Company on 31 December 2021, none of the Directors had any interest, direct or indirect, in any assets which had been, since 31 December 2020, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group. Please refer to paragraph 2(a)(ii) of this appendix for details of the interests of Mr. WANG Nian-qiang and Mr. WANG Chuan-fu in BYD; and
- (c) save as disclosed in this circular and except for the Non-exempt Continuing Connected Transaction Agreements, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and was significant in relation to the business of the Group.

4. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business which competed or might compete with the business of the Group, or had or might have any other conflicts of interest with the Group pursuant to Rule 8.10 of the Listing Rules.

5. MATERIAL ADVERSE CHANGE

The Directors confirm that there had been no material adverse change in the financial or trading positions of the Group since 31 December 2020 (being the date to which the latest published audited financial statements of the Group were made up) to the Latest Practicable Date.

6. EXPERT

The following sets out the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
Honestum International Limited	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO

Honestum International Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which they appear.

As at the Latest Practicable Date, Honestum International Limited did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Honestum International Limited did not have any direct or indirect interest in any assets which had been, since 31 December 2020 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group.

7. GENERAL

In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

8. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk/>) and the Company (<http://electronics.byd.com>) from the date of this circular up to the date of the EGM:

- (a) the New Supply Agreement; and
- (b) the New Purchase Agreement.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING



比亞迪電子(國際)有限公司 BYD ELECTRONIC (INTERNATIONAL) COMPANY LIMITED

(incorporated in Hong Kong under the Companies Ordinance with limited liability)

(Stock Code: 285)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“EGM”) of BYD Electronic (International) Company Limited (the “Company”) will be held at the conference room of BYD Company Limited at No. 3009, BYD Road, Pingshan District, Shenzhen, the People’s Republic of China on Wednesday, 9 February 2022 at 10 a.m. for the purposes of considering and, if thought fit, passing, with or without modification, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

1. “**THAT** the new supply agreement referred to in the section headed “II. A. SUPPLY OF PRODUCTS BY THE GROUP TO BYD GROUP” in the “Letter from the Board” contained in the circular (the “**Circular**”) of the Company of which this notice forms part and the relevant New Caps (as defined in the Circular) be and are hereby approved.”
2. “**THAT** the new purchase agreement referred to in the section headed “II. B. PURCHASE OF PRODUCTS (including batteries) BY THE GROUP FROM BYD GROUP” in the “Letter from the Board” contained in the Circular of the Company of which this notice forms part and the relevant New Caps (as defined in the Circular) be and are hereby approved.”

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

Hong Kong, 18 January 2022

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Registered Office:

Part of Unit 1712, 17th Floor, Tower 2
Grand Central Plaza,
No. 138 Shatin Rural Committee Road
New Territories
Hong Kong

Head Office and Principal Place of Business in PRC:

No. 3001, Bao He Road
Baolong, Longgang
Shenzhen, 518116
The PRC

Notes:

1. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint one or more proxies (who must be an individual or individuals) to attend and vote on behalf of him. A proxy need not be a member of the Company.
2. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 4 February 2022 to Wednesday, 9 February 2022, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending the EGM, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's share registrar, 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 Monday, 31 January 2022.
3. To be valid, a form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

As at the date of this notice, the Board consists of Mr. WANG Nian-qiang and Mr. JIANG Xiang-rong being the executive directors, Mr. WANG Chuan-fu and Mr. WANG Bo being the non-executive directors and Mr. CHUNG Kwok Mo John, Mr. Antony Francis MAMPILLY and Mr. QIAN Jing-jie being the independent non-executive directors.