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

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

**(Stock code: 285)**

**SUPPLEMENTAL AGREEMENT**  
**FOR CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the announcement of the Company dated 19 March 2020 in respect of the supply of medical masks by the Group to the BYD Group in accordance with the Supply Framework Agreement.

Following the signing of the Supply Framework Agreement, as a result of the continuing and rapid spread of the Novel Coronavirus (COVID-19) pandemic across of the globe and the unexpected rapid surge in demand of masks domestically and internationally, the transaction amounts under the Supply Framework Agreement is expected to be higher than the existing annual cap of RMB1,200,000,000. On 26 May 2020 (after trading hours), the Company entered into the Supplemental Agreement with BYD to expand the types of masks to be supplied, revise the Existing Annual Cap and amend the payment terms.

Pursuant to the Listing Rules, if the Company proposes to revise the annual cap for continuing connected transactions, the Company will be required to re-comply with the provisions of Chapter 14A of the Listing Rules in relation to the relevant connected transactions. As BYD is the controlling Shareholder indirectly interested in approximately 65.76% of the issued share capital of the Company, it is a connected person of the Company. Therefore, the transactions contemplated under the Supplemental Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Supplemental Agreement exceed 5%, the transactions contemplated under the Supplemental Agreement constitute Non-Exempt Continuing Connected Transactions of the Company, which, together with the Proposed Annual Cap, are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will convene the EGM to seek the Independent Shareholders' approval of the Supplemental Agreement, the transactions contemplated thereunder and the Proposed Annual Cap. BYD and its associates will be required to abstain from voting on the relevant resolutions to be proposed at the EGM.

An Independent Board Committee has been established to advise the Independent Shareholders, and Dakin Capital has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Agreement, the Non-exempt Continuing Connected Transactions contemplated thereunder and the Proposed Annual Cap. It is expected that a circular containing, among others, further details of the Non-exempt Continuing Connected Transactions and the Proposed Annual Cap, together with the recommendations of the Independent Board Committee, the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders will be dispatched to the Shareholders on or before 16 June 2020.

## **INTRODUCTION**

Reference is made to the announcement of the Company dated 19 March 2020 in respect of the supply of medical masks by the Group to the BYD Group in accordance with the Supply Framework Agreement.

Following the signing of the Supply Framework Agreement, as a result of the continuing and rapid spread of the Novel Coronavirus (COVID-19) pandemic across of the globe and the unexpected rapid surge in demand of masks domestically and internationally, the transaction amounts under the Supply Framework Agreement is expected to be higher than the existing annual cap of RMB1,200,000,000. On 26 May 2020 (after trading hours), the Company entered into the Supplemental Agreement with BYD to expand the types of masks to be supplied, revise the Existing Annual Cap and amend the payment terms.

## **SUPPLEMENTAL AGREEMENT**

Details of the Supply Framework Agreement as amended and supplemented by the Supplemental Agreement are set out below:

### **Parties**

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

### **Date**

26 May 2020 (after trading hours)

### **Duration**

19 March 2020 to 31 December 2020

### **Effective Date**

The date on which Independent Shareholders' approval in respect of this agreement is obtained.

## **Subject Matter**

Pursuant to the Supplemental Agreement, in light of the influence of the Novel Coronavirus (COVID-19) pandemic, the Group shall supply to the BYD Group masks (including but not limited to disposable medical masks and/or N95/KN95 masks) from 19 March 2020 to 31 December 2020, unless terminated earlier in accordance with the terms of the Supplemental Agreement.

## **Principal terms and price determination**

The parties shall execute separate orders in accordance with the terms of the Supplemental Agreement setting out, among others, the specifications and quantity of masks required and delivery schedules, and must comply with the terms of the Listing Rules and applicable laws. The Group will determine the selling prices of the masks with reference to, and generally shall not be lower than, prices charged by the Group to other independent third party customers of masks of same or similar specifications.

In accordance with the Company's internal policies, the transactions under the Supplemental Agreement will be properly recorded, including but not limited to prices determined and transaction amounts. As the management of the Group will review the aforesaid pricing policy on a regular basis, the Directors are of the view that the aforesaid method and procedures can ensure that the transactions contemplated under the Supplemental Agreement will be conducted on normal commercial terms and not prejudicial to the interest of the Company's minority Shareholders.

## **Payment terms**

Specific payment terms will be stipulated in the relevant order forms, which is normally payable within 15 days after delivery of the masks.

## **Annual Cap**

Pursuant to the Supply Framework Agreement, the existing annual cap for the year ending 31 December 2020 is RMB1,200,000,000.

Following the signing of the Supply Framework Agreement, as a result of the continuing and rapid spread of the Novel Coronavirus (COVID-19) pandemic across of the globe and the unexpected rapid surge in demand of masks domestically and internationally, the transaction amounts under the Supply Framework Agreement is expected to be higher than the Existing Annual Cap. The Company proposes to revise the Existing Annual Cap to RMB12,750,000,000 (the "**Proposed Annual Cap**").

The Proposed Annual Cap was determined based on arm's length negotiations between the Company and BYD having considered, among others, the following factors and assumptions:

- (a) the historical transaction amounts. In particular, from the commencement date of the Supply Framework Agreement to 30 April 2020, the actual transaction amount incurred under the Supply Framework Agreement was approximately RMB1,046 million, representing approximately 87.17% of the Existing Annual Cap;
- (b) the increased production capacity of the Group, especially the commencement of production of N95/KN95 masks which had higher unit price(s);
- (c) the strong and increasing demand of masks by the BYD Group, which has increased by approximately 381% in terms of the expected number of masks (including disposable medical masks and N95/KN95 masks) required since the date of the Supply Framework Agreement, as a result of a substantial surge in demand from more local and overseas stakeholders of the BYD Group (including employees, shareholders and/or investors, customers, suppliers, government authorities, industry associations, non-governmental organisations, communities, media organisations and research/ academic institutions), some of which are based in regions with relatively high level of confirmed COVID-19 infections recorded; and
- (d) the respective selling price of the disposable medical mask and N95/KN95 mask.

As the transactions contemplated under the Supplemental Agreement constitute Non-exempt Continuing Connected Transactions and the Proposed Annual Cap are subject to the approval of the Independent Shareholders, the Supplemental Agreement is conditional upon the relevant resolution(s) being passed at the EGM.

#### **REASONS FOR AND THE BENEFITS OF ENTERING INTO THE SUPPLEMENTAL AGREEMENT AND REVISING THE EXISTING ANNUAL CAP**

As stated in the announcement of the Company dated 19 March 2020 in respect of the supply of medical masks by the Group to the BYD Group, in response to the COVID-19 pandemic, the Group actively allocates resources and utilizes its research and development and manufacturing advantage to set up new production lines to produce masks primarily for use by the employees of the Group and the BYD Group, local and overseas governmental and medical institutions research institutions and communities, as well as certain customers, suppliers and business partners in order to prevent and minimise the spread of the pandemic, minimise disruption to the business operation of both the Group and the BYD Group and serve as a reflection of the Group's active performance of public corporate social responsibility.

As a result of the continuing and rapid spread of the COVID-19 pandemic across of the globe and given the tight supply of masks in the short term, there has been a continuing increase in the demand of masks from BYD's local and overseas stakeholders through BYD Group after the signing of the Supply Framework Agreement. With the Group's mature OEM experience, leading production capacity, as well as BYD Group's brand influence, product design capacity, global marketing services and customer cooperation network advantages, it is understood that many of the local and overseas stakeholders of BYD Group are satisfied with the supply of masks, which have turned into a further increase in demand of masks from these stakeholders. Expecting that the Existing Annual Cap will be exceeded, the purpose of entering into the Supplemental Agreement is to primarily revise the Existing Annual Cap, so as to ensure that the Group and BYD Group

can continue the transactions under the Supply Framework Agreement. The Board (excluding the independent non-executive Directors who will form their view after considering the advice of the Independent Financial Adviser) are of the view that the entering into the Supplemental Agreement and supplying more masks to the BYD Group is beneficial as not only can it help provide positive contribution to the sales revenue and profitability of the Group, but it can also help prevent the spread of COVID-19, ensure the safe and orderly operation of all stakeholders and enhance common brand influence of both the Group and the BYD Group through their joint efforts to effectively alleviate mask shortage crisis and fulfill social responsibility.

The Group had obtained all necessary licenses and/or approvals for the production of masks and hired additional supporting staff to develop additional masks production lines through our experienced research and development capabilities without affecting our existing production capacity for electronic products. It is expected that the supply of masks by the Group will not have a material adverse impact on the business operations and/or financial results of the Company.

The Company will continue to review and supervise the transaction amounts in respect of the Supplemental Agreement going forward with a view to ensuring that necessary measures and appropriate actions will be promptly taken in order to comply with the applicable requirements under the Listing Rules.

The Directors (excluding the independent non-executive Directors who will form their view after considering the advice of the Independent Financial Adviser) have confirmed that the Supplemental Agreement and the transactions contemplated thereunder have been subject to arm's length negotiations between the parties and are entered into by the Group in the ordinary and usual course of business and on normal commercial terms, and are of the view that the Supplemental Agreement and the Proposed Annual Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **INTERNAL CONTROL MEASURES**

To ensure that transaction prices under the Supplemental Agreement will be fair and reasonable and on normal commercial terms, the business department of the Group will regularly review its prices charged to independent third parties customers for the supply of masks with same or similar specifications. Furthermore, in addition to our compliance with the requirements on annual review by external auditors and independent non-executive Directors under the Listing Rules in respect of the Group's continuing connected transactions, to ensure the transactions contemplated under the Supplemental Agreement do not exceed the Proposed Annual Cap, the business department of the Group shall fill in and submit statistical charts for the continuing connected transactions at least quarterly. In the event that the amount of the transactions incurred and/or to be incurred under the Supplemental Agreement is expected to reach the Proposed Annual Cap, the business department will follow up forthwith by reporting and proposing a response to the management of the Company, and in case that an amendment to the Proposed Annual Cap is required, report particulars to the Board and hold a Board meeting for considering the matters thereabout to ensure compliance of the requirements under the Listing Rules.

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

## INFORMATION ABOUT THE GROUP AND BYD GROUP

The Company is incorporated under the laws of Hong Kong with limited liability and whose Shares are listed on the Stock Exchange. Approximately 65.76% of the equity interests of the Company is owned by Golden Link Worldwide Limited, a company incorporated in the British Virgin Island, which is ultimately wholly-owned by BYD. Approximately 6.08% of the equity interests of the Company is owned by Gold Dragonfly Limited (“**Gold Dragonfly**”), a company incorporated in the British Virgin Islands and wholly-owned by BF Gold Dragon Fly (PTC) Limited as trustee of BF Trust, the beneficiaries of which are 28 employees of BYD, its subsidiaries and the Group. Approximately 0.76% of the equity interests of the Company is owned by Mr. Wang Nian-qiang, the executive Director, in his personal capacity and as beneficiary of BF Trust. Approximately 0.12% of the equity interests of the Company is beneficially owned by Mr. Wang Bo, the nonexecutive Director, as beneficiary of BF Trust. The Group is principally engaged in the business of the manufacture and sales of handset components and modules, the provision of handset design and assembly services, and the provision of parts and assembly services of other electronic products.

BYD is a joint stock company incorporated in the PRC with limited liability whose shares are listed on the Stock Exchange and the Shenzhen Stock Exchange. Based on public information available to the Directors, (i) approximately 19.00% of the entire equity interests of BYD is beneficially owned by Mr. Wang Chuan-fu, a non-executive Director and also an executive director and chairman of the board of directors of BYD; (ii) Mr. Lv Xiang-yang (a non-executive director of BYD) is interested in approximately 14.73% of the entire equity interests of BYD in his personal capacity and through Youngy Investment Holding Group Co., Ltd. (融捷投資控股集團有限公司) which is in turn held by Mr. Lv and his spouse; (iii) approximately 3.73% of the entire equity interests of BYD is beneficially owned by Mr. Xia-Zuo quan (non-executive director of BYD); (iv) approximately 0.70% of the entire equity interests of BYD is owned by Mr. Wang Nian-qiang, the executive Director; (v) approximately 8.25% of entire equity interests of BYD is owned by Berkshire Hathaway Energy Company (formerly known as MidAmerican Energy Holdings Company) which is a company controlled by Berkshire Hathaway Inc. (a company listed on the New York Stock Exchange); (vi) Citigroup Inc. (a company listed on the New York Stock Exchange) holds approximately 2.98% interests in BYD (approximately 1.66% as long position, approximately 0.54% as short position and approximately 0.78% as approved lending agent); and (vii) approximately 2.76% of the entire equity interests of BYD is owned by Himalaya Capital Investors, L.P. (formerly known as LL Investment Partners, L.P.) which is indirectly controlled by Li Lu. The BYD Group is principally engaged in rechargeable battery and photovoltaic business, handset components and assembly services, as well as automobile business which includes traditional fuel-engined vehicles and new energy vehicles and is actively developing the urban rail transportation business segment.

## **LISTING RULES IMPLICATIONS**

Pursuant to the Listing Rules, if the Company proposes to revise the annual cap for continuing connected transactions, the Company will be required to re-comply with the provisions of Chapter 14A of the Listing Rules in relation to the relevant connected transactions. As BYD is the controlling Shareholder indirectly interested in approximately 65.76% of the issued share capital of the Company, it is a connected person of the Company. As such, the transactions contemplated under the Supplemental Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Mr. WANG Chuan-fu, being a non-executive Director, is also an executive director and chairman of the board of directors of BYD and is interested in approximately 19.00% of the total issued share capital of BYD as at the date of the Supplemental Agreement. Accordingly, Mr. WANG Chuan-fu, being a Director who may have a material interest, had voluntarily abstained from voting on the board resolutions of the Company concerning the Supplemental Agreement.

As the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Supplemental Agreement exceed 5%, the transactions contemplated under the Supplemental Agreement constitute Non-Exempt Continuing Connected Transactions of the Company, which, together with the Proposed Annual Cap, are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company, being a non wholly-owned subsidiary of BYD, is not a connected person of BYD under Rule 14A.16(1) of the Listing Rules as, to the best knowledge, information and belief of the Directors after making all reasonable enquiry, (a) none of the connected persons of BYD is or are (individually or together) entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company; and (b) the Company is not an associate of the connected persons of BYD. Accordingly, the transactions contemplated under the Supplemental Agreement do not constitute connected transaction for BYD under Chapter 14A of the Listing Rules.

## **GENERAL**

The Company will convene the EGM to seek the Independent Shareholders' approval of the Supplemental Agreement, the transactions contemplated thereunder and the Proposed Annual Cap. BYD and its associates will be required to abstain from voting on the relevant resolutions to be proposed at the EGM.

An Independent Board Committee comprising 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, and Dakin Capital has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Agreement, the Non-exempt Continuing Connected Transactions contemplated thereunder and the Proposed Annual Cap. It is expected that a circular containing, among others, further details of the Non-exempt Continuing Connected Transactions and the Proposed Annual Cap, together with the recommendations of the Independent Board Committee, the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders will be dispatched to the Shareholders on or before 16 June 2020.

## DEFINITIONS

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

“Board”	the board of Directors
“BYD”	BYD Company Limited (比亞迪股份有限公司), a company incorporated in the PRC whose H shares are listed on the Main Board of the Stock Exchange
“BYD Group”	BYD and its subsidiaries (excluding, except where the context indicates otherwise, the Group)
“Company”	BYD Electronic (International) Company Limited (比亞迪電子(國際)有限公司), a company incorporated under the laws of Hong Kong, whose Shares are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“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 Supplemental Agreement, the Non-exempt Continuing Connected Transactions and the Proposed Annual Cap
“Existing Annual Cap”	the existing annual cap of RMB1,200,000,000 for the transactions contemplated under the Supply Framework Agreement
“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” or “Dakin Capital”	Dakin Capital Limited, a corporation licensed to conduct Type 6 (advising on corporate finance) regulated activities under the SFO, and is the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Agreement and the Proposed Annual Cap



“Independent Shareholders”	Shareholders other than those who are required to abstain from voting on the resolution(s) at the EGM approving the Supplemental Agreement, the transactions contemplated thereunder and the Proposed Annual Cap
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Non-exempt Continuing Connected Transactions”	being the continuing connected transactions contemplated under the Supplemental Agreement for which the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules exceed 5%, and, accordingly, will be subject to the reporting, announcement, annual review and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules
“PRC”	the People’s Republic of China
“Proposed Annual Cap”	has the meaning ascribed to it under the section headed “SUPPLEMENTAL AGREEMENT – Annual Cap” in this announcement
“Shares”	the shares of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Supplemental Agreement”	the Supplemental Agreement dated 26 May 2020 entered into between the Company and BYD to revise the Supply Framework Agreement
“Supply Framework Agreement”	the agreement dated 19 March 2020 entered into between the Company and BYD in relation to the supply of masks from the Group to the BYD Group
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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

Hong Kong, 26 May 2020

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