
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.

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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)

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

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



Sunny Fortune Capital Limited

A letter from the Board is set out on pages 4 to 13 of this circular. A letter from the Independent Board Committee is set out on pages 14 to 15 of this circular. A letter from the IFA containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 29 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 Tuesday, 17 December 2024 at 9:00 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.

25 November 2024

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	4
Letter from the Independent Board Committee	14
Letter from the Independent Financial Adviser	16
Appendix – General Information	30
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 15 October 2024 in respect of, among others, the New Supply Agreement and the relevant New Caps;
“associate(s)”	has the meaning ascribed thereto under the Listing Rules;
“Board”	the board of Directors of the Company;
“BYD”	BYD Company Limited (比亞迪股份有限公司), 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 its 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 (比亞迪電子(國際)有限公司), 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 under Chapter 14A of the Listing Rules as set out in the section headed “II. Renewal of Non-exempt Continuing Connected Transactions” in the letter from the Board contained in this circular;
“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, inter alia, the transactions contemplated under the New Supply Agreement and the proposed New Caps;

DEFINITIONS

“Existing Cap(s)”	the existing annual cap(s) for the continuing connected transactions for the three years ending 31 December 2024 as set out in the section headed “II. Renewal of Non-exempt Continuing Connected Transaction” in the letter from the Board contained in this circular;
“Existing Supply Agreement”	the supply agreement dated 8 December 2021 between the Company and BYD in relation to the supply of products by the Group to BYD Group, the terms of which will expire on 31 December 2024;
“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. QIAN Jing-jie and Ms. WANG Ying, being the independent non-executive Directors;
“IFA” or “Independent Financial Adviser”	Sunny Fortune Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to Non-exempt Continuing Connected Transaction and the proposed New Caps;
“Independent Shareholders”	Shareholders who are not required to abstain from voting at the EGM;
“Latest Practicable Date”	22 November 2024, 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 2027 set out in the section headed “II. Renewal of Non-exempt Continuing Connected Transaction” in the letter from the Board contained in this circular;

DEFINITIONS

“New Supply Agreement”	the supply agreement dated 15 October 2024 between the Company and BYD in relation to the supply of certain products by the Group to the BYD Group;
“Non-exempt Continuing Connected Transaction”	being the Continuing Connected Transactions of the Group as contemplated under the New Supply Agreement, for which one or more 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;
“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;
“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
“%”	per cent.

LETTER FROM THE BOARD



Electronics

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. QIAN Jing-jie

Ms. WANG Ying

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.1, Bibao Second Road

Baolong Street

Longgang District

Shenzhen

The PRC 518116

25 November 2024

To the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF NON-EXEMPT CONTINUING CONNECTED TRANSACTION

I. INTRODUCTION

Reference is made to the announcement of the Company dated 15 October 2024 in which it was stated that the Company has entered into, amongst others, the New Supply Agreement.

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

LETTER FROM THE BOARD

II. RENEWAL OF NON-EXEMPT CONTINUING CONNECTED TRANSACTION

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

Supply of products by the Group to BYD Group

Agreement:	New Supply Agreement
Date:	15 October 2024
Parties:	<ol style="list-style-type: none">1. The Company2. BYD
Duration:	1 January 2025 to 31 December 2027
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, such as rotatable display screens, USB, host and Dilink-related products, intelligent and high-end automobile parts such as intelligent cockpit, smart driving, advanced suspension and smart domain controller, moulds and jigs, structural parts and certain other products and materials.
Price determination:	The selling prices will be determined after arm's length negotiation between the Group and BYD Group with reference to factors including the extent that the product is customized, 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.

LETTER FROM THE BOARD

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 favorable than those offered to independent third party customers of the Group. In the event of the absence of independent third party customers for such type of product, the Group will make reference to the overall production cost of the product, plus a profit margin agreed between the Group and the BYD Group determined with reference to factors including (but not limited to) product specifications, size of orders, the extent that the product is customized, research and development cycles and the market environment and generally such profit margin shall not be lower than average profit margin of the Group's corresponding business sectors and/or the past profit margin charged by the Group to independent third party customers and/or the average profit margin for such type of product in the industry.

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.

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

The table below summarises the Existing Caps for the three years ended 31 December 2024 for the Continuing Connected Transaction set out in this sub-section:

	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Existing Caps	8,067,663	24,480,296	26,534,547

LETTER FROM THE BOARD

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2023 (audited) and the eight months ended 31 August 2024 (unaudited) for the continuing connected transactions set out in this sub-section:

	Year ended 31 December 2022	Year ended 31 December 2023	Eight months ended 31 August 2024
	<i>(approx.)</i>	<i>(approx.)</i>	<i>(approx.)</i>
Actual transaction amount <i>(RMB'000)</i>	7,426,343	11,543,923	9,336,423
Utilisation rate of the annual caps	92.1%	47.2%	35.2%

As at the Latest Practicable Date, the actual transaction amount for the continuing connected transactions contemplated under the Existing Supply Agreement has not exceeded the corresponding annual cap for the year ending 31 December 2024.

The Company estimates that the transaction amounts for the said Continuing Connected Transactions for the three years ending 31 December 2027 will not exceed RMB29,840,556,000, RMB37,255,626,000 and RMB44,103,680,000 respectively, and such amounts have accordingly been set as the proposed New Caps for the said Continuing Connected Transactions.

The proposed New Caps have been prepared by the Company primarily based on (i) that a majority of the new annual caps under the New Supply Agreement is expected to be attributable to the products that will be used by the BYD Group in its production of new energy vehicles; (ii) the expected substantial increase in demand from the BYD Group for the Group's products (in particular, rotatable display screens, USB, host and Dilink-related products and intelligent and high-end automobile parts which were also used for the production of BYD Group's new energy vehicles) for the three years ending 31 December 2027. According to statistics, the sales of BYD Group's new energy vehicle increased by approximately 36.5% year on year for the ten months ended 31 October 2024, and at the same time, due to the continuing preminimization of the overall branding of BYD Group, the specifications of relevant product supplied by the Group to BYD Group under the New Supply Agreement are enhanced accordingly, which in turn leads to an increase in the cost and price of the products supplied by the Group; moreover, the overall improvement on the intelligence level of the new energy vehicle under the BYD Group also led to an increasing demand for the number of products of the Group (for example, more rotatable display screens and more intelligent and high-end automobile parts) required for each vehicle; (iii) the historical transaction amounts and patterns, that although the utilisation rate of the annual cap for the year ending 31 December 2024 stands at about 35.2% as at 31 August 2024, the utilisation rate for the year is expected to increase as there would usually be, historically, a higher demand for the Group's products in the last quarter of the year and the utilisation rate of the annual cap for the year ending 31 December 2024 is expected to be higher than 65%; and (iv) product competitiveness and production capacity of the Group which would determine the relevant intention from the BYD Group on purchasing products of the Group and determine the order sizes that the Group can handle and accordingly affecting the transaction amounts.

LETTER FROM THE BOARD

According to BYD's 2024 interim report, in June 2024, the market share of new energy vehicles for BYD Group further increased, winning the sales champion of the domestic automobiles, retaining its No.1 position in the global sales of new energy vehicles. With the expansion of the global new energy vehicle market and the continuous enrichment of the new energy vehicle product matrix and the continuous improvement of the level from electrification to intelligence and the brand premiumization of BYD Group, it is expected that the demand from the BYD Group's new energy vehicle business for our Group's products will continue to maintain rapid growth in the future. Leveraging years of accumulation in research and development and capacity expansion by the Company, the product standards and the conditions of production capacity of the Company can also fully satisfy relevant needs of BYD. As a result, BYD Group's expected demand for our Group's products will increase substantially for the period ending 31 December 2025. In view of the above, 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 the Continuing Connected Transactions for the three years ending 31 December 2027 exceed 5%, the Continuing Connected Transactions constitute a Non-exempt Continuing Connected Transaction of the Company. This Non-exempt Continuing Connected Transaction, the transactions contemplated thereunder 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 and the transactions contemplated thereunder.

As this Continuing Connected Transaction for the three years ending 31 December 2027 is a 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.

III. REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

As the PRC solidifies its global dominance in this sector and BYD Group's market share rises, the Group's early investments in intelligent cockpit systems, smart driving systems, advanced suspension systems, smart domain controller and thermal management sensors capitalize on significant technological advantages, enabling mass production and escalating shipment volumes.

LETTER FROM THE BOARD

Given this business landscape, the Group anticipates an overall increasing demand from the BYD Group of purchasing products of the Group in the coming three years. In light of a history of cooperative relations with BYD, mutual understanding of product offerings, service quality, and fair pricing standards, as well as the close proximity of both parties' factories and properties, the Group, transacting with the BYD Group, may benefit from a reduction of the negotiation cycle for product supply by the Group, shortened validation cycle for the Group's product supply and improved overall operating efficiency of the Group; and it is beneficial to the Group for building a long-term and stable cooperative relationship with the BYD Group, being a pioneer and leader of the global new energy vehicle industry, in order to improve the overall reputation of the Group's products in the industry and lay a good foundation for the subsequent market expansion. 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 2027 to enhance business scale and profitability of the Company, which is in line with the Group's business planning. The purposes of entering into, among others, the New Supply Agreement is to renew the Existing Supply Agreement for another three years to 31 December 2027, to ensure that the Group and BYD Group can continue the Continuing Connected Transactions under the New Supply Agreement.

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 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 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 relevant business departments 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 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, senior management and staff from the relevant departments of the Group from time to time, primarily focusing on the rules relating to connected transactions under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

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 Supply Agreement, BYD is a connected person of the Company. Therefore, the transactions contemplated under the New Supply Agreement 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 17.82% of the total issued share capital of BYD as at the date of the New Supply 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 Continuing Connected Transactions. Save for Mr. WANG Chuan-fu, no other Director has a material interest in the transactions contemplated under the New Supply Agreement.

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 terms of 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 New Supply Agreement for the three years ending 31 December 2027 referred to in the section headed "II. Renewal of Non-exempt Continuing Connected Transaction" of this circular exceed 5%, the transactions contemplated thereunder constitute a Non-exempt Continuing Connected Transaction of the Company. The Non-exempt Continuing Connected Transactions, the transactions contemplated thereunder and the relevant New Caps 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 New Supply Agreement do not constitute connected transactions for BYD under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

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 provider of high-tech and innovative products, providing customers around the world with one-stop product solutions relying on its core advantages in electronic information, AI, 5G and Internet of Things, thermal management, new materials, precision molds and digital manufacturing technologies. The Group engages in a wide variety of businesses ranging from smart phones, tablet PCs, new energy vehicles, AIDC (AI servers, thermal management, power management, etc.), smart home, game hardware, unmanned aerial vehicles, 3D printers, Internet of Things, robots, communication equipment to other diversified market areas.

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 mainly includes 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 capitalizing on its own technology strengths. BYD is ultimately controlled by Mr. WANG Chuan-fu, a non-executive Director of the Company.

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 Tuesday, 17 December 2024 at 9:00 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 New Supply Agreement and the transactions contemplated thereunder 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 was also interested in approximately 0.63% and 17.82% of the total issued share capital of BYD as at the Latest Practicable Date. 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 New Supply Agreement and the transactions contemplated thereunder and the New Caps.

LETTER FROM THE BOARD

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 Tuesday, 17 December 2024. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 12 December 2024 to Tuesday, 17 December 2024, both days inclusive, during which period no transfer of shares will be registered. Shareholders whose names appear on the register of members of the Company on Tuesday, 17 December 2024 will be entitled to attend and vote at the EGM. 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 Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 11 December 2024.

IX. RECOMMENDATION

An Independent Board Committee comprising the independent non-executive Directors (namely Mr. CHUNG Kwok Mo John, Mr. QIAN Jing-jie and Ms. WANG Ying) was established to advise the Independent Shareholders, and an independent financial adviser was appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt Continuing Connected Transaction, the transactions contemplated thereunder and the relevant New Caps.

The Independent Board Committee, after taking into account the advice from the Independent Financial Adviser, considers that the terms of the New Supply Agreement and the relevant New Caps are fair and reasonable and on normal commercial terms, and the New Supply Agreement is 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 New Supply Agreement and the transactions contemplated thereunder and the relevant New Caps.

The text of the letter from the Independent Board Committee is set out on page 14 to 15 of this circular. The text of the letter from the Independent Financial Adviser 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 16 to 29 of this circular. Independent Shareholders are strongly recommended to read carefully these two letters for details of the advice.

LETTER FROM THE BOARD

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 New Supply Agreement and the transactions contemplated thereunder 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)

25 November 2024

To the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF NON-EXEMPT CONTINUING CONNECTED TRANSACTION

We refer to the circular dated 25 November 2024 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 by the Board as the members of the Independent Board Committee to consider the New Supply Agreement and the transactions contemplated thereunder and the relevant New Caps and to advise the Independent Shareholders as to the fairness and reasonableness of the same. Sunny Fortune Capital Limited has been appointed as an independent financial adviser 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 13 of the Circular, and the letter from the independent financial adviser which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the New Supply Agreement and the transactions contemplated thereunder and the relevant New Caps as set out on pages 16 to 29 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

After taking into consideration the advice from Sunny Fortune Capital Limited, we concur with the views of Sunny Fortune Capital Limited and consider that (i) the terms of the New Supply Agreement are fair and reasonable and on normal commercial terms, and the the New Supply Agreement is 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 the New Supply Agreement and the transactions contemplated thereunder and the relevant New Caps.

Yours faithfully,
Independent Board Committee

CHUNG Kwok Mo John
*Independent non-executive
Director*

QIAN Jing-jie
*Independent non-executive
Director*

WANG Ying
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the full text of the letter of advice from Sunny Fortune Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect to Non-exempt New Continuing Connected Transactions Agreements and the relevant New Caps for the purpose of inclusion in this circular:



To the Independent Board Committee and Independent Shareholders,

Dear Sirs and Madams,

RENEWAL OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with respect to the Non-exempt Continuing Connected Transaction and their proposed New Caps, details of which are contained in the circular issued by the Company dated 25 November 2024 (the “**Circular**”), of which this letter forms a part. Sunny Fortune Capital Limited has been appointed to advise the Independent Board Committee as to whether the transactions contemplated under the Non-exempt New Continuing Connected Transaction Agreements and the relevant New Caps are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Independent Shareholders as a whole; and how the Independent Shareholders should vote on the resolutions to approve the Non-exempt New Continuing Connected Transaction Agreements and the relevant New Caps at the EGM.

The terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise required.

The terms of the Existing Continuing Connected Transaction Agreements will end on 31 December 2024 and the Company expects such transactions will continue thereafter, therefore, on 15 October 2024, the Group entered into the New Supply Agreement with BYD Group, for the period from 1 January 2025 to 31 December 2027. The New Supply Agreement relates to the supply of products by the Group to BYD Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Furthermore, 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 Continuing Connected Transactions contemplated under the New Supply Agreement for the three years ending 31 December 2027 exceed 5%, they constitute Non-exempt Continuing Connected Transactions of the Company. As such, accordingly, the Non-exempt Continuing Connected Transactions and their proposed New Caps are subject to, among other requirements, approval by the Independent Shareholders at the EGM.

The Board has established the Independent Board Committee comprising the independent non-executive Directors, namely Mr. CHUNG Kwok Mo John, Mr. QIAN Jing-jie and Ms. WANG Ying, for the purpose of advising the Independent Shareholders on the Non-exempt Continuing Connected Transactions and their proposed New Caps.

As at the Latest Practicable Date, apart from this engagement in respect of the Non-exempt Continuing Connected Transactions and their New Caps, we did not have any interests or relationships with the Group and BYD Group that could be reasonably regarded as relevant to the independence of us, and hence are independent from the Company pursuant to Rule 13.84 of the Listing Rules. There was no engagement between the Group and us in the last two years and we are not aware of change in any circumstances that would affect our independence. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no other arrangement exists whereby we have received or will receive any fees or benefits from the Company or any of its subsidiaries. Accordingly, we consider ourselves eligible to give independent advice in respect of the Non-exempt Continuing Connected Transactions and their proposed New Caps.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our recommendation, we have relied on the information and facts supplied to us by the Company and have assumed that any information and representations made to us are true, accurate and complete in all respects as at the date hereof and that they may be relied upon. We have also assumed that all information, representations, statements and opinions contained or referred to in the Circular are complete in all respects, fair and reasonable and have relied on them.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have been advised by the Directors that no material facts have been omitted and we are not aware of any facts or circumstances which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors nor do we have any reason to suspect any material facts or information have been omitted or withheld. The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable inquiries, that, to the best of their knowledge, opinions expressed in the Circular have been arrived at after due enquiry and careful consideration, true and accurate and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have researched and considered market data and trends which we regard as relevant to form a reasonable basis for our advice. We believe that we have reviewed sufficient information to reach an informed view in order to provide a reasonable basis for our advice. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company or the Group. We have not carried out any independent verification of the information provided, opinion expressed or representations made by the Directors of the Company.

This letter is issued as our opinion and recommendation to the Independent Board Committee and the Independent Shareholders solely for their consideration of whether the Non-exempt Continuing Connected Transactions and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole. Save for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS

In arriving at our opinion, we have taken into consideration the following principal factors and reasons:

1. Background information

(a) Background Information on 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 provider of high-tech and innovative products, providing customers around the world with one-stop product solutions relying on its core advantages in electronic information, AI, 5G and Internet of Things, thermal management, new materials, precision molds and digital manufacturing technologies. The Group engages in a wide variety of businesses ranging from smart phones, tablet PCs, new energy vehicles, AIDC (AI servers, thermal management, power management, etc.), smart home, game hardware, unmanned aerial vehicles, 3D printers, Internet of Things, robots, communication equipment to other diversified market areas.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following table sets out a summary of the recent financial performance of the Group as extracted from the annual report of the Company for the year ended 31 December 2022 (“**2022 Annual Report**”) and the year ended 31 December 2023 (“**2023 Annual Report**”), the interim report of the Company for the six months ended 30 June 2023 (“**2023 Interim Report**”) and the six months ended 30 June 2024 (“**2024 Interim Report**”).

	For the year ended		For the six months	
	31 December		ended 30 June	
	2022	2023	2023	2024
	<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	107,186	129,957	56,180	78,581
Gross profit	6,350	10,434	4,409	5,379
Profit attributable to owners of the parent	1,858	4,041	1,516	1,518

For the year ended 31 December 2023 (“**FY2023**”), the Group recorded revenue of approximately RMB130.0 billion, representing an increase of approximately 21.2% from approximately RMB107.2 billion for the year ended 31 December 2022 (“**FY2022**”). Such increase was mainly due to robust growth pace from its consumer electronic business and the rapid growth maintained by the new intelligent products business and the new energy vehicle business. The Group recorded profit attributable to owners of the Company of approximately RMB4.0 billion for FY2023, representing an increase of approximately 117.6% from FY2022. Such increase was mainly due to improved profitability of the Group boosted by the optimized product structure and enhanced overall operational efficiency.

For the six month ended 30 June 2024 (“**6M2024**”), the Group recorded revenue of approximately RMB78.6 billion, representing an increase of approximately 39.9% from approximately RMB56.2 billion for the six month ended 30 June 2023 (“**6M2023**”). Such increase was mainly due to the substantial growth in the consumer electronics business segment and new energy vehicle business segment. The Group recorded profit attributable to owners of the Company of approximately RMB1.5 billion for 6M2024, which is relatively stable as compared with that of 6M2023.

(b) Background Information on 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 mainly includes 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 capitalizing on its own technology strengths. BYD is ultimate controlled by Mr. WANG Chuan-fu, a non-executive Director of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(c) Background for the New Supply Agreement and rationale

In assessing the reasons for and benefits of entering into the New Non-exempt Continuing Connected Transactions Agreements, we have considered the Board's view on such matters and arrived at a conclusion after certain review and enquiry with the management of the Company (the "**Management**").

As advised by the Management, the Group commenced operations as a division of the then BYD Group in December 2002, 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. On 20 December 2007, the Company was spun off from BYD and listed on the Main Board of the Stock Exchange. Since the listing of the Company, the Group has been conducting continuing connected transactions (including the type of transactions with the BYD Group under the Existing Supply Agreement and the New Supply Agreement with BYD Group).

The terms of the Existing Supply Agreements will end on 31 December 2024 and the Company expects such transactions will continue thereafter, therefore, on 15 October 2024, the Company and BYD entered into the New Supply Agreement for the period from 1 January 2025 to 31 December 2027. Pursuant to the New Supply Agreement, the Group agreed to supply BYD Group products required for the production of BYD Group's products, such as rotatable display screens, USB, host and Dilink-related products, intelligent and high-end automobile parts such as intelligent cockpit, smart driving, advanced suspension and smart domain controller, moulds and jigs, structural parts and certain other products and materials.

We noted from the Management that the Non-Exempt Continuing Connected Transactions under the New Supply Agreement have been conducted since the spun off of the Company, with consecutive renewals; and the New Non-exempt Continuing Connected Transactions Agreements represent a continuation of the existing arrangement between the Group and BYD Group during the Group's ordinary and usual course of business. In light of the close working relationship between the Group and BYD Group, the Management consider that there are positive impacts on the Group's operation stability and logistics efficiency and the continuity of the business relationship with BYD Group are beneficial to the long-term development of the Group.

Taking into account, in particular, (i) the transactions contemplated under the New Supply 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 are fair and reasonable as further discussed below, we are of the view that the entering into of the New Supply 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Principal terms of the New Supply Agreement

In respect of price determination of the transactions under the New Supply Agreement, 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 customized, 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. In the event of the absence of independent third party customers for such type of product, the Group will make reference to the overall production cost of the product, plus a profit margin agreed between the Group and the BYD Group determined with reference to factors including (but not limited to) product specifications, size of orders, the extent that the product is customized, research and development cycles and the market environment and generally such profit margin shall not be lower than average profit margin of the Group's corresponding business sectors and/or the past profit margin charged by the Group to independent third party customers and/or the average profit margin for such type of product in the industry.

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 comply 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 2023 and the eight months ended 31 August 2024 (the "**Review Period**") provided by the Group. According to the sales breakdown, the main products category under the New Supply Agreement are (i) rotatable display screens ("**RDS**"), (ii) intelligent and high-end automobile parts, (iii) moulds and jigs, and these top three products categories, in aggregate, have accounted for approximately 87.7%, 94.8% and 90.2% of the sales to BYD Group for each of the period of the Review Period.

For the RDS, we have obtained, reviewed and examined six randomly-selected samples of sale contracts/invoices and other documents and information, and compared them to another six randomly-selected sample sale contracts/invoices or quotations for similar products between the Group and its independent third party customers at or around the same time. For the intelligent and high-end automobile parts and moulds and jigs, as advised by the Management, considering these two type of products are highly customized goods, there are no comparable transactions with independent third party customers, we have instead obtained and reviewed the gross profit margin analysis table of the sales of these two types of products to the BYD Group over the Review Period and the gross profit margin analysis table of the sales of the corresponding business sector during FY2022, FY2023 and 6M2024 prepared by the Management.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In view of the facts that (i) the sales amounts of the top three product categories represented in aggregate approximately 87.7%, 94.8% and 90.2% of the total sales amount with the BYD Group during the Review Period; (ii) all sample documents were selected on a random basis; (iii) the Review Period covered the historical transaction period (up to the latest available month) under the Existing Supply Agreement; (iv) the samples were spread across each of the year/period of the Review Period, and (v) gross profit margin analysis table obtained cover the whole Review Period, we are of the view that the samples reviewed are sufficient, fair, representative and reasonable for assessment.

Based on our review of the aforesaid documents, we noted that (i) the sales prices of the RDS offered to the BYD Group were not lower than those offered to the independent third party customers for similar type of products; (ii) the gross profit margin of intelligent and high-end automobile parts is not lower than the gross profit margin of corresponding business sector of consumer electronic – assembly; (iii) the gross profit margin of moulds and jigs is not lower than the gross profit margin of the corresponding business sector of new energy vehicles; and (iv) for payment terms, based on the sample reviewed, sales to the BYD Group and the independent third party customers were both payable within 90 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 or 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 have been adhered to the pricing mechanism of the Group in respect of the supply of products to BYD Group. 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 Supply Agreements save for the proposed New Caps; (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 on normal commercial terms and not prejudicial to the interest of the Company's minority Shareholders; and (iii) the pricing policy is fair and reasonable, 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.

3. 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 determine the selling prices with reference to factors including the extent that the product is customized, scale of supply, technological improvements in the products, and generally the selling price 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. 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 favorable than those offered to independent third party customers of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 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.

According to the Group's internal control measures, the relevant business departments of the Group fill in and submit statistical charts for the Continuing Connected Transactions at least quarterly to ensure the Continuing Connected Transactions do not exceed the annual caps. 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. We have obtained and reviewed the internal policies adopted by the Company in relation to the above internal control measures, and the quarter statistical charts for the Existing Supply Agreement for the Review Period (up to the latest available quarter), and consider the measures are in place to provide reasonable assurance that the transactions contemplated under the New Supply Agreement will be monitored by each business departments and reported to relevant management of the Company to ensure the annual cap will not be exceeded.

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 2022 and 2023, (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 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 are on arm's length negotiation basis and on normal commercial terms; (ii) the aforementioned internal control measures of the Group in respect of reviews of the pricing terms; 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 are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. New Caps of the New Supply Agreement

We have discussed with and are advised by the management of the Group that the transactions with the BYD Group under the New Supply Agreement are primarily for the supply of products required for the production of BYD Group's products, such as rotatable display screens, USB, host and Dilink-related products, intelligent and high-end automobile parts such as intelligent cockpit, smart driving, advanced suspension and smart domain controller, moulds and jigs, structural parts and certain other products and materials.

Set out below are (i) the historical amounts of the supply of products to 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:

	For the year ended 31 December 2022	For the year ended 31 December 2023	For the eight months ended 31 August 2024
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Historical amount of supply of products to the BYD Group	7,426	11,544	9,336
Utilisation Rates (%)	92.1%	47.2%	35.2%
	For the year ended 31 December 2022	For the year ended 31 December 2023	For the year ended 31 December 2024
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Existing Caps under the Existing Supply Agreement	8,068	24,480	26,535
	For the year ended 31 December 2025	For the year ended 31 December 2026	For the year ended 31 December 2027
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
New Supply Agreement New Caps	29,841	37,256	44,104

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We note the utilization rate for FY2023 is relatively low at approximately 47.2%. As advised by the Management, they considered that the low utilization rate was due to the relatively delay in the sales of RDS and moulds and jigs as a result of the intense competition in the new energy vehicle market in the past two years, including the competition between new energy vehicles and internal combustion engine vehicles (“**ICE vehicles**”). According to the statistics from the China Association of Automobile Manufacturers¹, in the PRC market, the new energy vehicles have outsold the ICE vehicles for the first time in July 2024 and the penetration rate reached approximately 55.6%. The Management considered that in view of the increasing penetration of new energy vehicles in the PRC market, such above competition impacts have been eased, and the Management is optimistic on the long-term growth of the new energy vehicle business of the BYD Group. Based on transaction records and orders on hand, the company expect that the transaction amount of supply of products to the BYD Group for the year ending 31 December 2024 (“**FY2024**”) would be not less than approximately RMB17,500 million and the utilization rate would achieve not less than approximately 65%.

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

- I. that a majority of the new annual caps under the New Supply Agreement is expected to be attributable to the products that will be used by the BYD Group in its production of new energy vehicles;
- II. the expected substantial increase in demand from the BYD Group for the Group’s products (in particular, rotatable display screens, USB, host and Dilink-related products and intelligent and high-end automobile parts which were also used for the production of BYD Group’s new energy vehicles) for the three years ending 31 December 2027, according to statistics, the sales of BYD Group’s new energy vehicle increased by approximately 36.5% year on year for the ten months ended 31 October 2024, and at the same time, due to the continuing premiumization of the overall branding of BYD Group becomes, the specifications of relevant product supplied by the Group to BYD Group under the New Supply Agreement are enhanced accordingly, which in turn leads to an increase in the cost and price of the products supplied by the Group; moreover, the overall improvement on the intelligence level of the new energy vehicle under the BYD Group also led to an increasing demand for the number of products of the Group (for example, more rotatable display screens and more intelligent and high-end automobile parts) required for each vehicle;

¹ Please refer to the report published by China Association of Automobile Manufacturers, an official organization of automotive industry in China, at http://www.caam.org.cn/chn/4/cate_154/con_5236478.html

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- III. the historical transaction amounts and patterns, that although the utilisation rate of the annual cap for the year ending 31 December 2024 stands at about 35.2% as at 31 August 2024, the utilisation rate for the year is expected to increase as there would usually be, historically, a higher demand for the Group's products in the last quarter of the year and the utilisation rate of the annual cap for the year ending 31 December 2024 is expected to be higher than 65%; and
- IV. product competitiveness and production capacity of the Group which would determine the relevant intention from the BYD Group on purchasing products of the Group and determine the order sizes that the Group can handle and accordingly affecting the transaction amounts.

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

- We noted that the historical actual transaction amount was approximately RMB11,544 million for the FY2023, representing a year-on-year growth rate of approximately 55.5% as compared with FY2022. The transaction amount under the Existing Supply Agreement is estimated to be further increased to not less than approximately RMB17,500 million for the FY2024, representing a year-on-year growth rate of approximately not less than 51.6% as compared with the same period in FY2023;
- We have reviewed the breakdown of the calculation of the New Caps and we have discussed with and are advised by the Management that New Caps are based on the estimated transaction amounts of products to be sold to the BYD Group and are projected based various factors including (i) the numbers of the Group's products required by the BYD Group with reference to the estimated number of the new energy vehicles to be sold by the BYD Group in the coming years; (ii) the business development plan of BYD Group including the introduction of new models, brand and technology to maintain its market position and competitiveness; (iii) estimated sales price of the products with reference to the historical selling price, cost and profit margin; and (iv) catering for the potential effect such as unexpected fluctuation in market sentiment, general inflationary pressures and any other unexpected fluctuation in the estimate. Such estimated procurement amounts for each product are discussed and estimated by the responsible business representative of the Group and BYD Group mainly with reference to 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;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- For the year ending 31 December 2025 (“FY2025”), the Management projected that the Group could supply their products to BYD Group to fulfill their increasing demand for the production of their new energy vehicles, which have considered, among others, (i) the BYD Group’s new energy vehicle sales volume of 3,250,532 units for ten months ended 31 October 2024 and sales volume of 502,657 units for the single month of October 2024, and it is expected that there will be substantial growth in sales volume for FY2024 as compared with FY2023; (ii) the sales volume growth rate of BYD Group’s new energy vehicles of approximately 36.5% for the ten months ended 31 October 2024 compared to same period in 2023, and in particular, the month-to-month growth rate for September 2024 and October 2024 have amounted to 45.9% and 66.5% respectively compared to the same period in 2023; (iii) the business development plan of BYD Group including the improvement of new brands / models; (iv) the continuing growth of China’s new energy vehicle market and the increasing penetration of new energy vehicles in replacement of traditional ICE vehicle; (v) the continued market consolidation in the PRC new energy vehicle market and the market leading position of the BYD Group in the PRC new energy vehicle market; (vi) the oversea market expansion and steady progress in the construction of oversea factories by the BYD Group, in which in January 2024, its factory in Uzbekistan commenced production and in July 2024, the its Thailand factory has completed its construction; (vii) the potential impact of the tariffs on PRC electric vehicles by European Union which the Management is considered as controllable in view of the BYD Group’s continuing effort in localized manufacturing for overseas markets;
- Further, we note that BYD Group have been solidifying its market leading position in the past few years, and according to the statistics from the China Association of Automobile Manufacturers², the BYD Group’s market share of new energy vehicles in PRC increased from 17.1% for FY2021 to 27.0% in FY2022, and further increased to 31.9% in FY2023. In the first half of 2024, the market share of the BYD Group’s new energy vehicles further increased, winning the sales champion of the domestic automobiles, retaining its No. 1 position in the global sales of new energy vehicles;
- We also noted from the 2024 Interim Report that, to cater for different consumer demand, the BYD Group has gradually improved the multi-brand gradient layout consisting of the “BYD” brand, the “FANGCHENGBAO” brand, the “Denza” brand and the “Yangwang” brand, covering from home to luxury, from mass to personalized, better satisfying users’ automobile needs in all scenarios. The products supplied to BYD Group will vary depending on the different models and brands, and the species will influence the product cost. The BYD Group has steadily promoted the upgrading of brand power and the strategic layout of going abroad, and achieved substantial business development driven by the full preparation made in the background of increasingly fierce competition in the industry;

² Please refer to the report published by the China Association of Automobile Manufacturers, an official organization of automotive industry in China, at http://www.caam.org.cn/chn/4/cate_154/con_5236478.html

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- In addition, we have noted that the “2024-2025 Energy Saving and Carbon Reduction Action Plan”³, newly issued by the State Council in 2024, proposes to gradually lift restrictions on the purchase of new energy vehicles across various regions and to implement supportive policies that facilitate the passage of these vehicles. With this favorable policy in place, the Management anticipate an increase in the sales of BYD Group’s new energy vehicles, which will, in turn, lead to a corresponding rise in the sales of rotatable display screens and other products supplied by the Group to BYD Group; and
- With respect to the projection of the new energy vehicles to be sold by the BYD Group for the year ending 31 December 2026 and 2027, the Management have primarily based on the annual caps for FY2025 and considered, among other, (i) the estimated growth of demand for our products by making reference to the historical transaction growth rate; (ii) overall growth rate on the China’s new energy vehicle market and the market leader position of the BYD Group in the PRC new energy vehicle market. We noted that according to Internation Data Corporation (“IDC”) forecast⁴, it is projected that the shipment unit of China’s new energy vehicles will reach 23,000,000 units in 2028, representing a CARG of approximately 22.8%. We noted that the growth rate of the New Caps is commensurate with the forecast growth rate from IDC, and is comparable with the historical growth rate of the Group’s sales to BYD Group from FY2022 to FY2024.

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, in all material respects, in accordance with the pricing policies of the Group; (iii) 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.

3 Please refer to the Circular published by the State Council, at https://www.gov.cn/zhengce/content/202405/content_6954322.htm

4 Please refer to the report published by IDC, an official platform engaged in market research, analysis and consulting, at <https://www.idc.com/getdoc.jsp?containerId=prCHC52353224>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the terms of the New Supply Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the entering into of the New Supply Agreement and the Continuing Connected Transaction contemplated thereunder are on normal commercial terms of better, in the ordinary and usual course of the business of the Group, and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM and to approve the Non-exempt Continuing Connected Transactions and their proposed New Caps, as detailed in the notice of the EGM set out at the Circular.

Yours faithfully,
For and on behalf of
Sunny Fortune Capital Limited
Tam Wui Chun
Director

Mr. Tam Wui Chun is a licensed person under the SFO to engage in, among others, Type 6 (advising on corporate finance) regulated activity and has over 10 years of experience in investment banking and corporate finance.

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 (the "Model Code") were as follows:

(i) Long position in the shares of the Company

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. JIANG Xiangrong	Interest of spouse	169,000	(<0.01%)	
Mr. WANG Bo	Beneficiary	2,805,000	0.12%	(2)
Mr. QIAN Jing-jie	Beneficial owner	5,000	(<0.01%)	

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	17.82%	(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 RMB2,909,265,855, comprising 1,811,265,855 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 held by Mr. WANG Chuan-fu, 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 28.56% 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.

(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. INTERESTS IN CONTRACT OR ARRANGEMENT AND ASSETS

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 as disclosed above, none of the Directors was materially interested in any contracts or arrangement entered into by any member of the Group which is subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group; and
- (c) save for the acquisition of assets by BYD as announced by the Company on 21 June 2024 for which the consideration received by the Company amounted to RMB1,203,000, none of the Directors has any direct or indirect interest in any assets which have been, since 31 December 2023, being the date to which the latest published audited financial statements of the Group 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.

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, as at the Latest Practicable Date, there had been no material adverse change in the financial or trading positions of the Group since 31 December 2023 (being the date to which the latest published audited financial statements of the Group were made up).

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
Sunny Fortune Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activity under the SFO

Sunny Fortune Capital 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, Sunny Fortune Capital 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, Sunny Fortune Capital Limited did not have any direct or indirect interests in any assets which had been, since 31 December 2023 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to or 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. DOCUMENT ON DISPLAY

A copy of the New Supply Agreement 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.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING



Electronics

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 Tuesday, 17 December 2024 at 9:00 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

“**THAT** the new supply agreement referred to in the section headed “II. RENEWAL OF NON-EXEMPT CONTINUING CONNECTED TRANSACTION” in the “Letter from the Board” contained in the circular (the “**Circular**”) of the Company of which this notice forms part and the transactions contemplated thereunder 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, 25 November 2024

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.1, Bibao Second Road
Baolong Street
Longgang District
Shenzhen
The PRC 518116

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 Thursday, 12 December 2024 to Tuesday, 17 December 2024, both days inclusive, during which no transfer of share will be registered. Shareholders whose names appear on the register of members of the Company on Tuesday, 17 December 2024 will be entitled to attend and vote at the EGM. 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 Wednesday, 11 December 2024.
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.