
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)

**REVISION OF EXISTING ANNUAL CAP FOR
CONTINUING CONNECTED TRANSACTIONS**

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



Dakin Capital Limited

A letter from the Board is set out on pages 4 to 16 of this circular. A letter from the Independent Board Committee is set out on pages 17 to 18 of this circular. A letter from Dakin Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 32 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at the conference room of BYD Company Limited at No. 3009, BYD Road, Pingshan District, Shenzhen, the People's Republic of China on Wednesday, 9 September 2020 at 10:00 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 August 2020

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DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“BYD”	BYD Company Limited (比亞迪股份有限公司), a joint stock limited company incorporated in the PRC whose H shares are listed on the Main Board of the Stock Exchange and A shares are listed on the Small and Medium Enterprise Board of Shenzhen Stock Exchange, and the controlling shareholder of the Company indirectly interested in approximately 65.76% of the issued share capital of the Company as at the Latest Practicable Date
“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 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
“controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Dakin Capital” or “Independent Financial Adviser”	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 Second Supplemental Agreement and the Proposed Annual Cap
“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 Second Supplemental Agreement and the Proposed Annual Cap

DEFINITIONS

“Existing Annual Cap”	the existing annual cap of RMB12,750,000,000 for the year ending 31 December 2020 for the transactions contemplated under the First Supplemental Agreement
“First Supplemental Agreement”	the supplemental agreement dated 26 May 2020 entered into between the Company and BYD to revise the Supply Framework Agreement
“Golden Link”	Golden Link Worldwide Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of BYD
“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 Shareholders”	Shareholders who are not required to abstain from voting at the EGM
“Latest Practicable Date”	21 August 2020, 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
“Masks Transaction(s)”	the supply of masks by the Group to the BYD Group pursuant to the Supply Framework Agreement, First Supplemental Agreement and Second Supplemental Agreement which constitutes continuing connected transactions under Chapter 14A of the Listing Rules and 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

DEFINITIONS

“Previous Announcements”	the announcements of the Company dated 19 March 2020 and 26 May 2020 in respect of, among others, the supply of masks by the Group to the BYD Group in accordance with the Supply Framework Agreement and the First Supplemental Agreement
“Proposed Annual Cap”	the proposed revised maximum amount of supplies to the BYD Group for the Masks Transactions for the year ending 31 December 2020 of RMB22,830,000,000, as amended by the Second Supplemental Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Second Supplemental Agreement”	the second supplemental agreement dated 6 August 2020 entered into between the Company and BYD to further revise the Supply Framework Agreement (as amended and supplemented by the First Supplemental Agreement)
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Shares
“Shares”	the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Supply Framework Agreement”	the supply 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
“%”	per cent.

LETTER FROM THE BOARD



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

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

(Stock Code: 285)

Board of Directors:

Executive Directors

Mr. WANG Nian-qiang

Mr. JIANG Xiang-rong

Non-executive Directors

Mr. WANG Chuan-fu

Mr. WANG Bo

Independent Non-executive Directors

Mr. CHUNG Kwok Mo John

Mr. Antony Francis MAMPILLY

Mr. QIAN Jing-jie

Registered Office:

Part of Unit 1712, 17th Floor, Tower 2

Grand Central Plaza,

138 Shatin Rural Committee Road

New Territories

Hong Kong

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

No. 3001, Bao He Road

Baolong, Longgang

Shenzhen, 518116

The PRC

25 August 2020

To the Independent Shareholders

Dear Sir or Madam,

**REVISION OF EXISTING ANNUAL CAP FOR
CONTINUING CONNECTED TRANSACTIONS**

I. INTRODUCTION

Reference is made to the announcements of the Company dated 19 March 2020, 26 May 2020 and 6 August 2020 and the circular of the Company dated 11 June 2020 in respect of, among others, the supply of masks by the Group to the BYD Group in accordance with the Supply Framework Agreement (as amended and supplemented by the First Supplemental Agreement).

This circular gives you further information in relation to (i) the Second Supplemental Agreement, the transactions contemplated thereunder and the Proposed Annual Cap; (ii) the advice from the Independent Board Committee to the Independent Shareholders in relation to the Second Supplemental Agreement and the Proposed Annual Cap; and (iii) the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Second Supplemental Agreement and the Proposed Annual Cap.

LETTER FROM THE BOARD

II. REVISION OF EXISTING ANNUAL CAP FOR CONTINUING CONNECTED TRANSACTIONS

The Supply Framework Agreement as amended and supplemented by the First Supplemental Agreement

Reference is made to the announcements of the Company dated 19 March 2020 and 26 May 2020 and the circular of the Company dated 11 June 2020 in respect of, among others, the supply of masks by the Group to the BYD Group in accordance with the Supply Framework Agreement and the First Supplemental Agreement.

On 19 March 2020, the Company entered into the Supply Framework Agreement for the supply of masks by the Group to the BYD Group for a term from 19 March 2020 to 31 December 2020, unless terminated earlier in accordance with the terms of the Supply Framework Agreement. Pursuant to the Supply Framework Agreement, the annual cap for the Masks Transactions 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 COVID-19 pandemic across the globe and the unexpected rapid surge in demand of masks domestically and internationally, on 26 May 2020, the Company entered into the First Supplemental Agreement with BYD to expand the types of masks to be supplied (including but not limited to disposable medical masks and/or N95/KN95 masks), revise the then annual cap and amend the payment terms. At the extraordinary general meeting of the Company held on 29 June 2020, the Company obtained the approval of the then Independent Shareholders to approve the First Supplemental Agreement, the transactions contemplated thereunder and the Existing Annual Cap.

For details of the terms of the Supply Framework Agreement (as amended and supplemented by the First Supplemental Agreement), please refer to the Previous Announcements and the circular of the Company dated 11 June 2020.

The Second Supplemental Agreement

As stated in the announcement of the Company dated 6 August 2020, following the signing of the First Supplemental Agreement, as a result of the further escalation of reported COVID-19 cases in many overseas countries and the tight supply of masks in the overseas market, there has been a further surge in demand of masks from BYD's overseas stakeholders. On 6 August 2020 (after trading hours), the Company entered into the Second Supplemental Agreement with BYD to revise the Existing Annual Cap. Save for the revision of the Existing Annual Cap from RMB12,750,000,000 to RMB22,830,000,000, all other terms and conditions under the Supply Framework Agreement (as amended and supplemented by the First Supplemental Agreement) remain the same.

LETTER FROM THE BOARD

Details of the Second Supplemental Agreement are set out below:

Parties : (a) the Company; and (b) BYD

Date : 6 August 2020 (after trading hours)

Subject Matter

Pursuant to the Second Supplemental Agreement, the Existing Annual Cap is amended to RMB22,830,000,000.

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 19 July 2020, the actual transaction amount incurred under the Supply Framework Agreement (as amended and supplemented by the First Supplemental Agreement) was approximately RMB11,895,000,000, representing approximately 93.29% of the Existing Annual Cap;
- (b) the increased production capacity of the Group, especially the further increase in production of N95/KN95 masks which have higher unit selling price(s) as compared to that of the disposable medical masks sold and to be sold to the BYD Group and independent third party customers. As at 19 July 2020, the Group reached a daily production capacity of approximately 67,560,000 masks and it was expected that the Group would adjust such capacity flexibly according to customer's demand;
- (c) the strong and increasing demand of masks by the BYD Group, which has increased by approximately 77.42% as at 19 July 2020 in terms of the expected number of masks (including disposable medical masks and N95/KN95 masks) required since the date of the First Supplemental Agreement, as a result of a substantial surge in demand mainly from overseas stakeholders of the BYD Group (including employees, shareholders and/or investors, customers, suppliers, medical institutions, government authorities, industry associations, non-governmental organisations, media organisations and research/academic institutions), some of which are based in regions with relatively high level of COVID-19 infections recorded; and
- (d) the respective selling price of the disposable medical mask and N95/KN95 mask. For purpose of the calculation of the Proposed Annual Cap, the selling price of the disposable medical masks was assumed to decline while the selling price of N95/KN95 masks be stable taking into consideration, among others, the decline of the cost of production, especially raw material cost and the prevailing market supply and demand, and the historical transactions between the Group and the BYD Group under the Supply Framework Agreement (as amended and supplemented by the First Supplemental Agreement) and the transactions with independent third parties.

LETTER FROM THE BOARD

With the above considerations and assumptions, the Proposed Annual Cap was arithmetically arrived at based on the expected number of masks required (including both the disposable medical masks and N95/KN95 masks) as communicated with the BYD Group based on its communications and/or orders in negotiation and on hand with its stakeholders times the respective selling prices of the masks and added with the Existing Annual Cap. The Proposed Annual Cap represented an approximately 79.06% increase of the Existing Annual Cap as a result of the accumulated and compound effect of (i) the substantial increase in demand for masks; times (ii) the stable selling price of N95/KN95 masks which was higher than that of the disposable medical masks, despite the decline in the selling price of the disposable medical masks. Notwithstanding the substantial surge in the expected demand of masks, to the best information and belief of the Directors after having made all reasonable enquiries, the Board confirms that it would have all necessary capacity to produce the expected volume of masks required under the Second Supplemental Agreement.

As the Masks Transactions constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules and the Proposed Annual Cap are subject to the approval of the Independent Shareholders, the Second Supplemental Agreement is conditional upon the relevant resolution being passed at the EGM.

Price determination

There is no change to the price determination policy in relation to the Masks Transactions. As disclosed in the circular of the Company dated 11 June 2020, the parties shall execute separate orders in accordance with the terms of the Supply Framework 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 Company and BYD shall negotiate in good faith the selling prices of the masks on normal commercial terms and the Group will determine the selling prices with reference to, and generally shall not be lower than, the reference price which represented the prices charged by the Group to independent third party customers of masks of same or similar specifications and for the same or comparable volume, delivery schedules and terms unless no such referable reference price is available. No fixed unit selling price of the masks to be sold to either the BYD Group nor any independent third parties were set as the demand and specifications required by the BYD Group and independent third parties varied in different orders (this was especially the case here as the specific orders from the BYD Group varied according to both its internal demand as well as external demands from its different stakeholders). As such, the selling prices were and will continue to be subject to arm's length negotiation with the BYD Group or the independent third parties primarily based on the costs of materials and labour costs and taking into consideration factors including not limited to, customer's requirements including specification and/or quantity of masks required, the estimate cost of engineering work which are caused by any necessary customisation, and the estimated cost and expenses relating to, among others, packaging, shipping, temporary storage and/or insurance required from the Group.

LETTER FROM THE BOARD

For details in relation to the procedures of the Group to ensure that the above pricing policy will be complied with and that transaction prices under the Supply Framework Agreement will be fair and reasonable and on normal commercial terms, please refer to the sub-section headed “IV. INTERNAL CONTROL MEASURES” in this letter.

III. REASONS FOR AND THE BENEFITS OF ENTERING INTO THE SECOND SUPPLEMENTAL AGREEMENT TO REVISE THE EXISTING ANNUAL CAP

As stated in the Previous Announcements, in response to the COVID-19 pandemic, the Group actively allocates resources and utilises 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.

Following the signing of the Supply Framework Agreement and the First Supplemental Agreement, as a result of the further escalation of reported COVID-19 cases in many overseas countries and the tight supply of masks in the overseas market, there has been a further surge in demand for masks from BYD’s overseas stakeholders. Given the actual transaction amount incurred under the Supply Framework Agreement (as amended and supplemented by the First Supplemental Agreement) was approximately RMB11,895 million up to 19 July 2020, representing approximately 93.29% of the Existing Annual Cap and the Group expects that the Existing Annual Cap will be exceeded under the strong and increasing demand for masks by the BYD Group, the purpose of entering into the Second Supplemental Agreement is to primarily revise the Existing Annual Cap, so as to ensure that the Group and BYD Group can continue the Masks Transactions.

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 the Group’s experienced research and development capabilities without affecting our existing production capacity for electronic products. It is expected that the Masks Transactions will continue to have no material adverse impact on the business operations and/or financial results of the Company.

The Board (including the independent non-executive Directors after considering the advice of the Independent Financial Adviser) are of the view that the entering into the Second Supplemental Agreement to cater for the expected significant increase in the Masks Transactions 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.

LETTER FROM THE BOARD

The Board (including the independent non-executive Directors after considering the advice of the Independent Financial Adviser) have confirmed that the Second 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 Second Supplemental Agreement and the Proposed Annual Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company will continue to review and supervise the transaction amounts in respect of the Second 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.

IV. INTERNAL CONTROL MEASURES

To ensure that the pricing policy will be complied with and that transaction prices under the Second Supplemental Agreement will be fair and reasonable and on normal commercial terms, when receiving a request for quotation from the BYD Group, the business department of the Group will review its prices charged to independent third parties customers for the supply of masks with same or similar consideration factors including not limited to, customer's requirements including specification and/or quantity of masks required, the estimate cost of engineering work which are caused by any necessary product customisation and the estimated cost and expenses relating to, among others, packaging, shipping, temporary storage and/or insurance required from the Group, and determine the reference price(s) for setting the selling price(s) of masks with BYD Group on an ongoing basis. Such reference price(s) will then be reviewed and approved by the general manager of the business department of the Group. To ensure that the selling prices of the masks to be supplied to the BYD Group will not be lower than those charged to independent third parties with same or comparable specifications, volume, delivery schedules and terms, the general manager of the business department of the Group and the finance department of the Group will review, compare and approve the selling price(s) offered to the BYD Group with the reference price before the quotations are sent. In accordance with the Company's internal policies, the transactions under the Second Supplemental Agreement will be properly recorded, including but not limited to prices determined and transaction amounts. The finance department will also regularly review and compare the invoices with the BYD Group and the independent third parties on a monthly basis. As the management of the Group will review the aforesaid pricing policy at least quarterly, the Directors are of the view that the aforesaid method and procedures can ensure that the transactions contemplated under the Second Supplemental Agreement will be conducted on normal commercial terms and not prejudicial to the interest of the Company's minority Shareholders.

In addition to the aforementioned procedures and 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 Second Supplemental Agreement do not exceed the

LETTER FROM THE BOARD

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 Second 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 continuing connected transactions under Chapter 14A of the Listing Rules.

V. REVENUE CONTRIBUTION FROM THE BYD GROUP

Despite the fact that a significant portion of the revenue of the Group may be derived from the BYD Group as a result of the Masks Transactions based on the Proposed Annual Cap with reference to the consolidated revenue of the Company as at 31 December 2019, the Board does not consider this as an issue of undue reliance on the BYD Group on the following grounds:

- (a) while it might appear that there are various ongoing continuing connected transactions (“CCTs”) between the Group and the BYD Group, not all of them involves unilateral supply of products and/or services from the BYD Group to the Group or vice versa (which may be relevant to the potential concern of operational and/or financial dependence). Based on the calculation of the sum of the highest annual caps of the existing CCTs announced by the Company (excluding the Masks Transactions which would be separately dealt with below and in paragraph (c) in detail) (the “**Transactions**”), the Transactions only represented approximately 16.82% in terms of revenue ratio calculation, of which (i) approximately 9.14% represented transactions which the BYD Group is the services and products supplier to the Group; and (ii) approximately 7.68% represented transactions which the Group is the services and products supplier to the BYD Group. If the Proposed Annual Cap is taken into account, the revenue ratio (for revenue to be received by the Group from the BYD Group) would only be increased to approximately 50.73%. As such, the Company did not consider there is any issue of undue reliance with reference to the proposed transaction amount of the existing CCTs as compared with the revenue of the Group.
- (b) the business relationship and transaction amount between the Group and the BYD Group are unlikely to substantially decrease in the near future given the commercial benefits to support the day-to-day business operation of the Group in a cost-effective manner. As explained in the announcements of various CCTs, the CCTs were beneficial to both the Group and the BYD Group given the historical friendly

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business relationship between the Group and the BYD Group, the proximity of the factories and premises of the Group and the BYD Group, the mutual understanding of the parties' business practice and standard required. Both the Group and the BYD Group were providing and/or receiving different services and products to each other by utilising their different business capabilities and/or expertise to support the business operations of each other effectively. In particular, the Group believes it is in the commercial interest of the Company to obtain/provide the relevant services or products from/to the BYD Group with minimised administrative costs in relation to the engagement and/or supervision/compliance of the required services/products and specifications, not to mention the commercial advantage which the Company is entitled to conduct the transactions on terms no less favourable than terms offered by or available to independent third parties. As such, the benefit from the CCTs is mutual and complementary to both the Group and the BYD Group as the existing arrangements can enable both parties to achieve synergy.

- (c) As to the concern that the Masks Transactions would bring additional significant revenue contribution to the Group, the Board considers that:
- (i) it is obvious that the supply and production of masks is a new business development of the Company or even many other companies in response to the COVID-19 pandemic mainly to alleviate the mask shortage crisis. It was originally intended that the masks produced by the Company would be primarily for uses domestically (and some of which will be provided to the BYD Group for uses by its employees or stakeholders) which explained that only RMB1,200,000,000 and RMB12,750,000,000 having considered as at the date of the Supply Framework Agreement and the First Supplemental Agreement, respectively, among others, the then development of COVID-19 and the expected demand by the BYD Group and its limited stakeholders. It was the continuing and rapid spread of COVID-19 pandemic across of the globe and the unexpected rapid surge in demand for masks domestically and internationally which led to the substantial surge in demand for masks through BYD. With such continuing, unpredictable and uncontrollable demand, it would not be commercially sensible or socially responsible for the Company or BYD to turn down such demand and business opportunities when the Company has the capacity and resources to continue producing more masks to increase its revenue and alleviate the mask shortage crisis.
 - (ii) while the Proposed Annual Cap with reference to the consolidated revenue of the Company as at 31 December 2019 (i.e. in terms of revenue ratio) exceeded 43.05%, such analysis was arbitrary as it had not taken into account (i) the increase of revenue from the supply of masks to the BYD Group and to independent third parties by the Group (which was commenced after December 2019); (ii) the fact that the masks required by the BYD Group were not only intended for uses by the BYD Group internally; and (iii) the expected increase of revenue from the existing business of the Group. As stated in the subsection

LETTER FROM THE BOARD

headed “II. REVISION OF EXISTING ANNUAL CAP FOR CONTINUING CONNECTED TRANSACTIONS – The Proposed Annual Cap” in this section of the circular, a majority of masks required by the BYD Group comprised of the demand from its local and mainly overseas stakeholders (including but not limited to its customers, suppliers, government authorities and industry associations) which were independent third parties of the Group. It was noted that some of such independent third parties preferred to continue sourcing masks from the BYD Group due to their connections and long term business relationship with the BYD Group and convenience (as such independent third parties therefore would not have to re-run background and/or credit checks if they were to purchase masks from BYD (instead of the Company)). Further, as stated in the profit alert announcement of the Company dated 28 April 2020, the Board considers that with the Group’s share in major customers continues to increase and with the achievements of new components projects of the Group, the profitability of the Group is expected to improve significantly in the second quarter of the year. As such, the BYD Group shall not be considered as the major customer of the Group solely based on the Proposed Annual Cap.

- (iii) given the continuing increasing demand of masks, both the BYD Group and the Group had assessed other alternatives in order to capture the market demand and to reduce the transaction time and amount between the parties (including the possibility for BYD to also commence masks production). However, it was noted that it would not be commercially viable or effective for BYD to develop similar masks production capacity in the short term given the prolonged time and burdensome administrative procedures required for obtaining the necessary licences and/or approvals for the production of masks while the imminent demand of masks kept increasing. As such, it is expected that the transaction amount in terms of masks supply between the Group and the BYD Group is unlikely to decrease substantially in the near future.
- (iv) since the outbreak of COVID-19, the Company quickly developed the masks production lines and capability including machineries and dust-free clean rooms via its research and development expertise and obtained all necessary licences/approvals for the production of masks. As a result, the Company is now one of the major mask suppliers in the world. With the independently developed masks production capacity and the fact that there should be a subsisting demand of masks to prevent COVID-19 (at least until the end of the year), the Company is of the view that in the event that the BYD Group ceases to order masks from the Group, the Group shall still be able to capture the market demand from independent third parties.
- (d) there is no issue of management, financial or operational reliance on the BYD Group in relation to the existing and/or the proposed CCTs on the basis that (i) the day-to-day management of the business of the Group rests primarily with the Board and the senior management of the Company; (ii) the Group also has maintained an

LETTER FROM THE BOARD

independent accounting, financial and internal control system, and will make financial decisions according to its own business needs; and (iii) the Group has developed independent expertise and capability in its principal business and the recent production of masks that are necessary to carry on and operate its business and has sufficient operational capacity in terms of capital and employees to operate independently from the BYD Group and has direct and independent access to suppliers and customers.

VI. LISTING RULES IMPLICATIONS

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 Second Supplemental Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. 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. 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 Second Supplemental Agreement. Accordingly, Mr. WANG Chuan-fu, being a Director who may have a material interest, had voluntarily abstained from voting on the board resolution of the Company concerning the Second Supplemental Agreement.

As the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the Proposed Annual Cap of the Masks Transactions are expected to continue to exceed 5%, the Masks Transactions are subject to the announcement 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 Second Supplemental Agreement do not constitute connected transaction for BYD under Chapter 14A of the Listing Rules.

VII. INFORMATION ON THE GROUP AND BYD 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. Approximately 6.08% of the equity interests of the Company is owned by Gold Dragonfly Limited, 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.

LETTER FROM THE BOARD

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 non-executive Director, as beneficiary of BF Trust. The Group is one of the world's most competitive providers of design, components manufacturing and system products assembly services for electronic products, providing vertically integrated one-stop services to global leading brand manufacturers for mobile intelligent terminals.

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 3.49% 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 3.29% interests in BYD (approximately 1.83% as long position, approximately 0.47% as short position and approximately 0.99% 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.

VIII. EGM

A notice convening the EGM to be held at the conference room of BYD at No. 3009, BYD Road, Pingshan District, Shenzhen, the PRC on Wednesday, 9 September 2020 at 10:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. At the EGM, an ordinary resolution will be proposed to consider and, if thought fit, to approve the Second Supplemental Agreement and the Proposed Annual Cap by way of poll. BYD and its associates are required to abstain from voting of the resolution at the EGM.

Mr. WANG Nian-qiang, the director of the Company, is a beneficiary of BF Trust which is an employees' trust of the Company with BF Gold Dragon Fly (PTC) Limited acting as the trustee of the trust. As at the Latest Practicable Date, Mr. WANG Nian-qiang was interested in approximately 0.76% of the total issued share capital of the Company of which approximately 0.38% was held through BF Trust. Mr. WANG Nian-qiang and Mr. WANG Chuan-fu were also

LETTER FROM THE BOARD

respectively interested in approximately 0.70% and 19.00% of the total issued share capital of BYD as at the Latest Practicable Date. Mr. WANG Nian-qiang and the trustee of BF Trust will abstain from voting of the resolution at the EGM in respect of the interest owned by Mr. WANG Nian-qiang.

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.

IX. CLOSURE OF REGISTER OF MEMBERS

The EGM is scheduled to be held on Wednesday, 9 September 2020. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 4 September 2020 to Wednesday, 9 September 2020, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of Shares should ensure that all the share transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 3 September 2020.

X. RECOMMENDATION

The Independent Board Committee, after taking into account the advice from the Independent Financial Adviser, considers that (i) the entering into of the Second Supplemental Agreement is conducted in the ordinary and usual course of business, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Proposed Annual Cap is fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and accordingly recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Second Supplemental Agreement and the Proposed Annual Cap.

LETTER FROM THE BOARD

The text of the letter from the Independent Board Committee is set out on pages 17 to 18 of this circular. The text of the letter from Dakin Capital 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 19 to 32 of this circular. Independent Shareholders are strongly recommended to read carefully these two letters for details of the advice.

XI. 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 the Second Supplemental Agreement, the transactions contemplated thereunder and the Proposed Annual Cap:



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 August 2020

To the Independent Shareholders

Dear Sir or Madam,

**REVISION OF EXISTING ANNUAL CAP FOR
CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular dated 25 August 2020 issued by the Company (the “**Circular**”) of which this letter forms part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We have been appointed as the members of the Independent Board Committee to consider the Second Supplemental Agreement and the Proposed Annual Cap and to advise the Independent Shareholders as to the fairness and reasonableness of the same. Dakin Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

RECOMMENDATION

We wish to draw your attention to the letter from the Board, as set out on pages 4 to 16 of the Circular, and the letter from Dakin Capital which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Second Supplemental Agreement and the Proposed Annual Cap as set out on pages 19 to 32 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

After taking into consideration the advice from Dakin Capital, we concur with the views of Dakin Capital and consider that (i) the entering into of the Second Supplemental Agreement is conducted in the ordinary and usual course of business, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Proposed Annual Cap is fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Second Supplemental Agreement and the Proposed Annual Cap.

Yours faithfully
Independent Board Committee

CHUNG Kwok Mo John
*Independent non-executive
Director*

Antony Francis MAMPILLY
*Independent non-executive
Director*

QIAN Jing-jie
*Independent non-executive
Director*

LETTER FROM DAKIN CAPITAL

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



25 August 2020

*To: the Independent Board Committee and the Independent Shareholders
of BYD Electronic (International) Company Limited*

Dear Sirs/Madams,

REVISION OF EXISTING ANNUAL CAP FOR CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Second Supplemental Agreement and the Proposed Annual Cap, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 25 August 2020 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 19 March 2020, the Company and BYD entered into the Supply Framework Agreement whereby the Group has agreed to supply medical masks to the BYD Group for a term from 19 March 2020 to 31 December 2020 (the “**Term**”), with a maximum transaction amount of RMB1,200 million for the year ending 31 December 2020. For further details of the Supply Framework Agreement, please refer to the announcement of the Company dated 19 March 2020 (the “**2020 March Announcement**”).

On 26 May 2020, the Company entered into the First Supplemental Agreement with BYD pursuant to which the parties agreed to expand the types of masks to be supplied, revise the annual cap and amend the payment term as stipulated in the Supply Framework Agreement as a result of the continuing and rapid spread of the Novel Coronavirus (“**COVID-19**”) pandemic across the globe and the unexpected rapid surge in the demand of masks domestically and internationally. The First Supplemental Agreement and the transactions contemplated thereunder, together with the adoption of the Existing Annual Cap, were approved by the then independent Shareholders at the Company’s extraordinary general meeting held on 29 June

LETTER FROM DAKIN CAPITAL

2020. For further details of the First Supplemental Agreement (which should be read in conjunction with the terms and conditions of the Supply Framework Agreement), please refer to the circular of the Company dated 11 June 2020 (the “**2020 June Circular**”).

On 6 August 2020, in view of the strong and increasing demand of masks by the BYD Group, the Company and BYD entered into the Second Supplemental Agreement (which should be read in conjunction with the terms and conditions of the Supply Framework Agreement as amended and supplemented by the First Supplemental Agreement) pursuant to which the parties agreed to revise upward the Existing Annual Cap to RMB22,830 million. Save as the aforesaid, all other terms (including the pricing term) and conditions under the Supply Framework Agreement as amended and supplemented by the First Supplemental Agreement remain unchanged.

As at the Latest Practicable Date, the equity interest of the Company was held as to approximately 65.76% by Golden Link which is ultimately wholly-owned by BYD. As such, BYD is a controlling Shareholder and a connected person of the Company under the Listing Rules. According to the Letter from the Board, the Masks Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As the Proposed Annual Cap exceed 5% of the applicable percentage ratios under the Listing Rules, the Masks Transactions (including the Proposed Annual Cap) are subject to the reporting, announcement, annual review and independent shareholders’ approval requirements 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 Second Supplemental Agreement. Accordingly, Mr. Wang Chuan-fu, being a Director who may have a material interest, had voluntarily abstained from voting on the board resolution of the Company concerning the Second Supplemental Agreement.

The Independent Board Committee, comprising Mr. Chung Kwok Mo John, Mr. Antony Francis Mampilly and Mr. Qian Jing-jie, each being an independent non-executive Director, has been established to advise the Independent Shareholders on whether the Second Supplemental Agreement is entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms thereof as well as the Proposed Annual Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole. We, Dakin Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

OUR INDEPENDENCE

As at the Latest Practicable Date, Dakin Capital did not have any relationships with or interests in the Company or any other parties that could reasonably be regarded as relevant to the independence of Dakin Capital. Apart from acting as the Independent Financial Adviser and the independent financial adviser in respect of the First Supplemental Agreement as detailed

LETTER FROM DAKIN CAPITAL

in the 2020 June Circular, there was no engagement between Dakin Capital and any member of the Group or the BYD Group in the last two years prior to the date hereof. Apart from the normal professional fees paid or payable to us in connection with the Company's appointment as the Independent Financial Adviser, no other arrangements exist whereby we have received or will receive any fees or benefits from the Company or any other parties to the Second Supplemental Agreement that could reasonably be regarded as relevant to our independence as defined under Rule 13.84 of the Listing Rules. Accordingly, we consider that such business relationship would not affect our independence.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information, financial information and facts contained or referred to in the Circular; (ii) the information supplied by the Group, the BYD Group and/or the advisers of the Company; (iii) the opinions expressed by and the representations of the Directors and the management of the Group and the BYD Group; and (iv) the relevant public information available to us as at the date hereof. We have assumed that all the information and financial information provided and facts, representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the date of the Circular and all such statements of belief, opinions and intention of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry and consideration. We have no reason to doubt the truth, accuracy and completeness of such information and representations provided to us by the Directors, the management of the Group and the BYD Group, and/or the advisers of the Company. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group and the BYD Group are true, accurate, complete and not misleading in all respects at the time they were made and as at the Latest Practicable Date. We have assumed that such information and statements, and any representation made to us, are true, accurate and complete in all material respects as of the date hereof and the Shareholders will be notified of any material change by the Company as soon as it becomes aware.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our opinion and recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group and the BYD Group, and/or the advisers of the Company, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position, internal control, profitability or prospects of the Company, BYD or any of their respective subsidiaries or associates.

LETTER FROM DAKIN CAPITAL

The Directors have collectively and individually accepted full responsibility for the truth, accuracy and completeness of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is true, accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments or changes (including any material change in market, economic conditions and COVID-19) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company or BYD.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Second Supplemental Agreement and the Proposed Annual Cap, we have taken into account the following principal factors and reasons:

1. Overview of Mask Demand

(i) Shortage of masks around the globe

Since the declaration of the COVID-19 outbreak in late January 2020 by the World Health Organisation (the “WHO”) as a Public Health Emergency of International Concern across the world, and the announcement of the COVID-19 pandemic by the WHO in early March 2020, there has been drastic rise in global demand for masks to prevent the spread of the COVID-19.

According to the WHO, there were confirmed cases of COVID-19 worldwide of approximately 4.6 million being reported between 31 December 2019 and 17 May 2020, then increasing by about 4.9 times within less than four months to approximately 22.7 million as at the Latest Practicable Date (including approximately 6.0 million reported cases in Asia, approximately 12.2 million reported cases in the Americas and approximately 3.3 million reported cases in Europe). In particular, up to the Latest Practicable Date, the United States of America had the highest number of confirmed cases among the most affected countries with approximately 5.5 million, followed by Brazil and India with approximately 3.5 million and 2.9 million respectively; all of them are still experiencing severe COVID-19 infections with daily confirmed new cases of over approximately 20,000 during August 2020.

LETTER FROM DAKIN CAPITAL

Due to the outbreak of the COVID-19, the demand for personal protective equipment (including but not limited to masks, gloves and protective eyewear) increased around the globe. According to the WHO, as at February 2020, the demand for personal protective equipment in response to the COVID-19 had increased up to approximately 100 times than the normal demand. In particular, an estimate of 89 million of masks are required each month. The WHO estimated that the personal protective equipment industry needs to increase the manufacturing by approximately 40% in order to meet the demand to combat the COVID-19. On 5 June 2020, the WHO advised the governments to encourage the general public to wear masks in specific situations, which in turn, further boosts the demand for masks.

In addition to the increasing demand for personal protective equipment, the shortage of masks around the globe has been exacerbated by, among others, the fact that increasingly more countries are introducing mandatory mask-wearing in public spaces, with citizens facing a possible fine if caught without wearing one. Up to June 2020, there were over 70 countries or areas have made wearing masks mandatory in public spaces. It is foreseeable that a universal facemask wearing policy would inevitably lead to a continuing increase in public demand for masks while putting an enormous burden on the facemask supply.

(ii) Shortage of masks in the PRC

According to the Ministry of Industry and Information Technology of the PRC, in January 2020, the PRC generally could produce approximately 20 million masks per day while the productivity during the Chinese New Year holiday was decreased to approximately 12 million masks per day. Provincial regulators in the PRC has also granted new licenses to open additional factories capable of producing top-grade medical masks, including those that meet the standards for use by medical staff. Up to April 2020, the PRC could produce approximately 205 million masks per day, of which only approximately 5 million were N95 masks according to the National Development and Reform Commission of the PRC. This may infer that with rapidly increasing cases of COVID-19 breaking out across the globe, demand for masks is still far outpacing the ability of manufacturers to keep up in the foreseeable future.

(iii) Export restrictions on masks around the globe

Due to the shortage of masks as discussed above, 80 countries and customs territories have banned or limited the export of masks and other personal protective equipment to mitigate shortages since the COVID-19 outbreak, as reported by the World Trade Organisation in April 2020. The export restrictions may highly affect countries which rely on imports of medical products, including but not limited to the United States of the America and Japan. Nevertheless, the PRC posed no export restriction on medical goods including masks which allow the masks manufacturers in the PRC to export relevant medical goods overseas to fight against the COVID-19. According to the Ministry of Commerce of the PRC, the export of masks from the PRC keeps increasing.

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The PRC exported approximately 3.86 billion pieces of masks from 1 March 2020 to 4 April 2020, swiftly rising to approximately 27.8 billion pieces of masks by the end of April 2020. Given that the burden of COVID-19 pandemic has been rapidly increasing worldwide, the monthly export of masks from the PRC substantially increased to approximately 42.8 billion pieces of masks in May 2020, representing more than approximately 54.0% as compared to that of April 2020.

In addition, it is believed that export of masks by the PRC will continue to increase given that there were 74 countries and six international organisations signed personal protective equipment purchase agreement with PRC enterprises as at 25 April 2020 to procure relevant personal protective equipment including masks. There were also 72 countries and eight international organisations who were in the process of signing personal protective equipment purchase agreement with PRC enterprises. According to the Ministry of Commerce of the PRC, since the outbreak of COVID-19, the PRC has exported personal protective equipment including masks to over 190 countries or areas which amounted to approximately US\$1,410 million.

2. Background of and Reasons for Entering into the Second Supplemental Agreement

Reference is made to the 2020 March Announcement and the 2020 June Circular. Since early this year, by leveraging its available resources and research and development and manufacturing advantage, besides fulfilling the internal requirements of both the Group and the BYD Group to ensure safe and orderly business operations between them, the Group has also commenced its commercial production of masks to capture the business opportunities arising from the rapid spread of COVID-19 across the world. It is stated in the Letter from the Board that the Group had obtained all necessary licenses and/or approvals for the production of masks, all of which are valid and subsisting as at the Latest Practicable Date as confirmed by the management of the Group.

According to the management of the Group, the Group's masks ranging from disposable medical masks to N95 and KN95 masks (the "BE Masks") were used by a wide range of overseas end-users in various sectors along with the local communities, mainly owing to the onward sales through the BYD Group's global network whereby the BE Masks had been exported to over 40 countries by the end of June 2020. As particularly highlighted by the management of the Group, the Supply Framework Agreement as amended and supplemented by the First Supplemental Agreement has indeed displayed positive network effects as aforesaid which has created rapid growth rate for the Group's mask supply business since its commencement. In line with the disclosure in the positive profit alert announcement of the Company dated 28 April 2020 that the mask production of the Group is expected to provide positive contribution to the revenue and profitability of the Group for the six months ended 30 June 2020, it is stated in the Letter from the Board that the Masks Transactions will continue to have no material adverse impact on the business operations and/or financial results of the Company.

LETTER FROM DAKIN CAPITAL

As stated in the Letter from the Board, following the signing of the First Supplemental Agreement, as a result of the further escalation of reported COVID-19 cases in many overseas countries and the tight supply of masks in short term, there has been a further surge in demand of masks from BYD's overseas stakeholders. We understand from the management of the Group that the increasingly strong demand for the BE Masks from the BYD Group was also driven by the burgeoning demand particularly from those overseas customers located in some of the world's most-populous countries such as the United States of America, Brazil and India all of which are still critically affected by the COVID-19 pandemic as at the Latest Practicable Date. Notwithstanding this, having considered the actual transaction amount of approximately RMB11,895 million up to 19 July 2020 (representing approximately 93.3% of the Existing Annual Cap) derived from the Supply Framework Agreement (as amended and supplemented by the First Supplemental Agreement), the Company expects that the Existing Annual Cap will not be sufficient to meet the expected continuing strong demand from the BYD Group for the remaining period of the Term and, more importantly, the current utilisation level of the Existing Annual Cap that is close to being fully utilised would constrain the revenue growth of the Group's mask supply business, hence the overall profitability of the Company.

In light of the above, as stressed by the management of the Group, the purpose of entering into the Second Supplemental Agreement is to revise the Existing Annual Cap so as to ensure the continuity of the Masks Transactions throughout the Term, enabling the Group to continue to take advantage of the BYD Group's global network and stay competitive to generate a stronger business outcome. In this regard, the upward revision of the Existing Annual Cap is considered by the Company to be essential for the Group and the entering into of the Second Supplemental Agreement is an integral part of the Group's mask supply business.

After taking into account the fact that (i) the Masks Transactions for the year ending 31 December 2020 are revenue generating in nature; (ii) the purpose of entering into the Second Supplemental Agreement that would facilitate continued smooth operation of the Masks Transactions when the global supply of masks is still tight; and (iii) the latest situation of COVID-19 infection worldwide where the pandemic is indeed still subject to a certain degree of uncertainty, we are of the view that it is reasonable for the Company to revise upward the Existing Annual Cap by way of the Second Supplemental Agreement. Accordingly, the entering into of the Second Supplemental Agreement is considered to be conducted in the Group's ordinary and usual course of business and in the interests of the Company and the Shareholders as a whole in this respect.

3. Principal terms of the Second Supplemental Agreement

The Second Supplemental Agreement is a supplemental agreement entered into between the Company and BYD on 6 August 2020 (after trading hours) to the Supply Framework Agreement as amended and supplemented by the First Supplemental Agreement. The Second Supplemental Agreement is conditional upon the approval from the Independent Shareholders at the EGM pursuant to the Chapter 14A of the Listing Rules.

LETTER FROM DAKIN CAPITAL

Pursuant to the Second Supplemental Agreement, the parties agreed to revise the maximum transaction amount from RMB12,750 million to RMB22,830 million in respect of the supply of the BE Masks by the Group to the BYD Group during the Term, with effect from the date on which the Independent Shareholders' approval at the EGM is obtained. Save as the aforesaid, all other terms (including the pricing term) and conditions under the Supply Framework Agreement as amended and supplemented by the First Supplemental Agreement remain unchanged. For details of the principal terms of the Supply Framework Agreement as amended and supplemented by the First Supplemental Agreement, please refer to the 2020 March Announcement and the 2020 June Circular.

Details of the revised annual cap for the Masks Transactions for the year ending 31 December 2020 are set out in the sub-section headed "Proposed Annual Cap" below.

4. Proposed Annual Cap

The table below sets out the historical transaction amount derived from the Supply Framework Agreement as amended and supplemented by the First Supplemental Agreement (the "**Historical Transaction Amount**") for the period from the date of the Supply Framework Agreement to 19 July 2020, the Existing Annual Cap and its utilisation rate as at 19 July 2020 and the Proposed Annual Cap:

	Historical Transaction Amount for the period from the date of the Supply Framework Agreement to 19 July 2020	Existing Annual Cap for the year ending 31 December 2020	Proposed Annual Cap
Supply of the BE Masks by the Group to the BYD Group	approximately RMB11,895,000,000	RMB12,750,000,000	RMB22,830,000,000
Utilisation rate	–	approximately 93.3%	–

(i) The Historical Transaction Amount

The Historical Transaction Amount was approximately RMB11,895 million for the period from the date of the Supply Framework Agreement to 19 July 2020, representing approximately 93.3% of the Existing Annual Cap. The Directors confirmed that (i) the Group achieved a sales volume of over 4.4 billion pieces of the BE Masks sold to the BYD Group within a short period of less than five months after entering into the Supply Framework Agreement (as amended and supplemented by the First Supplemental Agreement); and (ii) the majority of the Historical Transaction Amount was attributable to the sales of KN95/N95 masks which always have higher selling prices as compared with the disposable medical masks.

LETTER FROM DAKIN CAPITAL

(ii) The basis of determination of the Proposed Annual Cap

The Proposed Annual Cap in respect of the Masks Transactions for the year ending 31 December 2020 is RMB22,830 million, representing an increase of approximately 79.1% as compared with the Existing Annual Cap. As stated in the Letter from the Board, such increase was resulted from the accumulated and compound effect of (i) the substantial increase in demand for masks; times (ii) the stable selling price of N95/KN95 masks which was higher than that of the disposable medical masks, despite the decline in the selling price of the disposable medical masks. It is also stated that notwithstanding the substantial surge in the expected demand of masks from the BYD Group, to the best information and belief of the Directors after having made all reasonable enquiries, the Board confirms that it would have all necessary capacity to produce the expected volume of masks required under the Second Supplemental Agreement.

According to the Letter from the Board, 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:

- the Historical Transaction Amount of approximately RMB11,895 million for the period from the date of the Supply Framework Agreement to 19 July 2020, representing approximately 93.3% of the Existing Annual Cap;
- the increased production capacity of the Group for the BE Masks, especially the further increase in production of N95/KN95 masks which have higher unit selling prices as compared to that of the disposable medical masks sold and to be sold to the BYD Group and the Group's independent third party customers, reaching a daily production capacity of approximately 67,560,000 masks as at 19 July 2020 which is adjustable according to customer's demand;
- the strong and increasing demand of the BE Masks by the BYD Group, which has increased by approximately 77.4% as at 19 July 2020 in terms of the expected number of masks (including disposable medical masks and N95/KN95 masks) required compared with the expected sales volume on the date of the First Supplemental Agreement, as a result of a substantial surge in demand mainly from overseas stakeholders of the BYD Group (including employees, shareholders and/or investors, customers, suppliers, medical institutions, government authorities, industry associations, non-governmental organisations, media organisations and research/academic institutions), some of which are based in regions with relatively high level of confirmed COVID-19 infections recorded; and
- the respective selling prices of the disposable medical masks and N95/KN95 masks. For purpose of the calculation of the Proposed Annual Cap, the selling price of the disposable medical masks was assumed to decline while the selling price of N95/KN95 masks be stable taking into consideration, among others,

LETTER FROM DAKIN CAPITAL

the decline of the cost of production, especially raw material cost and the prevailing market supply and demand, and the Group's historical transactions in respect of sales of the BE Masks with the BYD Group under the Supply Framework Agreement as amended and supplemented by the First Supplemental Agreement and independent third parties.

It is stated in the Letter from the Board that with the above considerations and assumptions, the Proposed Annual Cap was arithmetically arrived at based on the expected number of masks required (including both the disposable medical masks and N95/KN95 masks) as communicated with the BYD Group based on its communications and/or orders in negotiation and on hand with its stakeholders times the respective selling prices of the masks and added with the Existing Annual Cap.

In our assessment of the fairness and reasonableness of the Proposed Annual Cap, we have obtained and reviewed, among others, (i) the updated sales projection compiled by the Group based on the estimated sales volume and selling price of each type of the BE Masks under the Masks Transactions for the remaining period of the Term (the "**Sales Projection**"); (ii) the Group's actual sales amount and sales quantity of the BE Masks sold to the BYD Group and independent third parties from March 2020 to July 2020 (the "**Review Period**"), respectively; (iii) the relevant purchase orders of the BE Masks received by the Group respectively from the BYD Group and the independent third parties for the Review Period and the Group's invoices relating thereto; (iv) the invoices issued to the Group from independent suppliers for purchases of the key raw material considered by the Group in its production of the BE Masks, namely meltblown cloth; and (v) the list of countries that the BE Masks have been and will be exported to by the BYD Group for its onward sales as indicated by the BYD Group. We have also discussed with the management of the Group on the underlying bases and assumptions adopted in arriving at the Proposed Annual Cap (including the key pricing components and factors considered in determining the selling prices of the BE Masks set out in the Sales Projection and the assumption of no material change in the global impact of the COVID-19 pandemic during the remaining period of the Term).

Based on our independent work done as aforesaid, we concur with the view of the Directors that it is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole to set the Proposed Annual Cap at the proposed level, principally after taking into account the followings:

- the utilisation level of the Existing Annual Cap stood at approximately 93.3% as at 19 July 2020;
- some of the overseas customers of the BYD Group for its onward sales of the BE Masks are located in the countries experiencing upward trend in confirmed cases of COVID-19 with relatively high daily infection rates as at the Latest Practicable Date;

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- the current market conditions there appeared a continuously increasing trend in global demand for masks which is in line with the increased export of masks from the PRC and that the demand is still outpacing supply worldwide, thereby inferring that barring any unforeseen circumstances, the global shortage of masks will not ease soon;
- the First Supplemental Agreement and the transactions contemplated thereunder were approved by the then independent Shareholders at the Company’s extraordinary general meeting held on 29 June 2020 upon the pricing term that requires pricing to be based on similar mask-related transactions conducted between the Group and independent third party customers as referred to in the 2020 June Circular and also detailed in the Letter from the Board;
- the increased demand for each type of the BE Masks over the Review Period and their price differential, with (i) the estimated selling price of each type of the BE Masks under the Masks Transactions being determined by the Group pursuant to the pricing term stipulated in the Supply Framework Agreement as amended and supplemented by the First Supplemental Agreement on the basis of the fact that there is no change to the price determination policy in relation to the Masks Transactions as stated in the Letter from the Board; and (ii) the actual unit selling prices of the BE masks offered by the Group to independent third parties for recent ordinary sales of the BE Masks of the same or similar specifications within the same region (the “**Reference Prices**”) being referred to in the Sales Projection;
- with reference to the Reference Prices, the price level of N95/KN95 masks to be sold to the BYD Group is expected to remain stable and sustainable throughout the Term in the midst of the ongoing fallout of the COVID-19 pandemic alongside the ongoing severe global shortage of N95/KN95 masks supply;
- with reference to the Reference Prices, adjustment to the price level of the disposable medical masks to be sold to the BYD Group for the remaining period of the Term was made by the Group in order to remain competitive after principally taking into account the prevailing supply of meltblown cloth (being the major raw material of the BE Masks) that appears to be on a downward price trend, thereby easing pricing pressure on the disposable medical masks;
- the projected sales quantity of the BE Masks set out in the Sales Projection was estimated based on the BYD Group’s latest indicative demand with a significant increase of over 75% as at 19 July 2020 since the date of the First Supplemental Agreement, and such better-than-expected demand was mainly due to the increasingly strong demand particularly from those overseas

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customers located in some of the world's most-populous countries (such as the United States of America, Brazil and India) that are still experiencing severe COVID-19 infections and struggling to push infection rates below peak; and

- the Group's current productive capability for the BE Masks with a daily production output of not less than 67,560,000 masks that is considered to be sufficient to accommodate the expected strong demand of the BE Masks from the BYD Group according to its latest indicative demand.

MONITORING AND REPORTING

1. Internal control measures within the Group

As stated in the Letter from the Board, the Group has established the following internal control measures for the purpose of monitoring the execution and implementation of the Masks Transactions:

- (i) to ensure that the pricing policy will be complied with and that transaction prices under the Second Supplemental Agreement will be fair and reasonable and on normal commercial terms, when receiving a request for quotation from the BYD Group, the business department of the Group will review its prices charged to independent third parties customers for the supply of masks with same or similar consideration factors including but not limited to, customer's requirements including specification and/or quantity of masks required, the estimated cost of engineering work which are caused by any necessary product customisation and the estimated cost and expenses relating to, among other, packaging, shipping, temporary storage and/or insurance required from the Group, and determine the reference price(s) for setting the selling price(s) of the BE Masks with the BYD Group on an ongoing basis. Such reference price(s) will then be reviewed and approved by the general manager of the business department of the Group. To ensure that the selling prices of the BE Masks to be supplied to the BYD Group will not be lower than those charged to independent third parties with same or comparable specifications, volume, delivery schedules and terms, the general manager of the business department of the Group and the finance department of the Group will review, compare and approve the selling price(s) offered to the BYD Group with the reference price before the quotations are sent. While the Masks Transactions will be properly recorded, including but not limited to prices determined and transaction amounts, the finance department will also regularly review and compare the invoices with the BYD Group and the independent third parties on a monthly basis;
- (ii) conduct annual review by external auditors and independent non-executive Directors under the Listing Rules in respect of continuing connected transactions to ensure the Masks Transactions do not exceed the Proposed Annual Cap;

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- (iii) the business department of the Group shall fill in and submit statistical charts for the continuing connected transactions at least quarterly;
- (iv) in the event that the amount of the Masks Transactions incurred and/or to be incurred 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;
- (v) 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; and
- (vi) the Company 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 continuing connected transactions under Chapter 14A of the Listing Rules.

2. Requirements of the Listing Rules

In line with the Term, for the Company's financial year ending 31 December 2020, the Masks Transactions will be subject to review by the independent non-executive Directors and the Company's independent auditors as required by Rules 14A.55 and 14A.56 of the Listing Rules. The independent non-executive Directors must confirm in the Company's annual report for the year ending 31 December 2020 whether the Masks Transactions have been entered into:

- in the ordinary and usual course of business of the Group;
- on normal commercial terms or better; and
- according to the agreements governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Furthermore, the Listing Rules require that the Company to engage its auditors to report on the Masks Transactions for the Company's financial year ending 31 December 2020 and that the Company's auditors must provide a letter to the Board (a copy of which must also be provided to the Stock Exchange pursuant to Rule 14A.57 of the Listing Rules) confirming whether anything has come to their attention that causes them to believe that such transactions:

- have not been approved by the Board;
- were not, in all material respects, in accordance with the pricing basis for the Masks Transactions;
- were not entered into, in all material respects, in accordance with the relevant agreements governing the Masks Transactions; and
- have exceeded the Proposed Annual Cap.

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OPINION AND RECOMMENDATION

Having taken into account the principal factors and reasons discussed above, we consider that (i) the entering into of the Second Supplemental Agreement is conducted in the ordinary and usual course of business of the Group, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Proposed Annual Cap is fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Second Supplemental Agreement and the Proposed Annual Cap.

Yours faithfully,
for and on behalf of
DAKIN CAPITAL LIMITED
Kinson Li **Annie Kwong**
Managing Director *Director*

Note: Mr. Kinson Li is a licensed person and a responsible officer of Dakin Capital Limited registered with the Securities and Futures Commission of Hong Kong to carry out type 6 (advising on corporate finance) regulated activity under the SFO. He has over 20 years of experience in corporate finance industry. Ms. Annie Kwong is a licensed person and a responsible officer of Dakin Capital Limited registered with the Securities and Futures Commission of Hong Kong to carry out type 6 (advising on corporate finance) regulated activity under the SFO. She has over 15 years of experience in corporate finance industry.

In case of any discrepancy, inconsistency or ambiguity between the English and Chinese versions of this letter, the English version shall prevail.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

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

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

(i) Long position in the Shares

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

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	Note
				of the relevant associated corporation as at the Latest Practicable Date	
BYD	Mr. WANG Nian-qiang	Beneficial owner	19,049,740	0.70%	(1)
	Mr. WANG Chuan-fu	Beneficial owner	518,351,550	19.00%	(2)

Notes:

- (1) These are the A shares of BYD held by Mr. WANG Nian-qiang. The total share capital of BYD as at the Latest Practicable Date was RMB2,728,142,855, comprising 1,813,142,855 A shares and 915,000,000 H shares, all were of par value of RMB1 each. The A shares of BYD held by Mr. WANG Nian-qiang represented approximately 1.05% of the total issued A shares of BYD as of the Latest Practicable Date.
- (2) These are the 513,623,850 A shares, 3,727,700 A shares held in No.1 Assets Management Plan through E fund BYD and 1,000,000 H shares of BYD held by Mr. WANG Chuan-fu, which represented approximately 28.53% and approximately 0.11% of total issued A shares and H shares of BYD as at the Latest Practicable Date, respectively. Mr. Wang Chuan-fu is also an executive director and chairman of the board of BYD.

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

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

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

Name of Shareholder	Capacity	Number of Shares	Percentage of total issued share capital as at the Latest Practicable Date	Note
Golden Link	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)
Gold Dragonfly	Beneficial interest	137,081,650	6.08%	(2)
BF Trustee	Trustee	137,081,650	6.08%	(2)

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.
- (2) The 137,081,650 shares of the Company are held by Gold Dragonfly, a company wholly-owned by BF Trustee as trustee of BF Trust, the beneficiaries of which are 28 employees of BYD, its subsidiaries and the Group. As such, BF Trustee was deemed to be interested in the shares of the Company held by Gold Dragonfly.

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

3. DIRECTORS' INTERESTS IN CONTRACTS

As at the Latest Practicable Date:

- (a) none of the Directors had entered, or proposed to enter into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation;
- (b) save for the acquisition of assets from BYD Group as announced by the Company on 21 February 2020 and 23 July 2020 and the disposal of assets to BYD Group pursuant to an agreement entered into between the parties on the same dates (not subject to disclosure requirement), none of the Directors had any interest, direct or indirect, in any assets which had been, since 31 December 2019, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group. Please refer to paragraph 2(a)(ii) of this appendix for details of the interests of Mr. WANG Nian-qiang and Mr. WANG Chuan-fu in BYD; and
- (c) save as disclosed in this circular and except for the Supply Framework Agreement, the First Supplemental Agreement and the Second Supplemental Agreement, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and was significant in relation to the business of the Group.

4. DIRECTORS' INTEREST IN COMPETING BUSINESS

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

5. MATERIAL ADVERSE CHANGE

The Directors confirm that there had been no material adverse change in the financial or trading positions of the Group since 31 December 2019 (being the date to which the latest published audited financial statements of the Group were made up) to the Latest Practicable Date.

6. EXPERT

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

Name	Qualification
Dakin Capital Limited	a corporation licensed to conduct Type 6 (advising on corporate finance) regulated activities under the SFO

Dakin Capital 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, Dakin Capital 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, Dakin Capital did not have any direct or indirect interest in any assets which had been, since 31 December 2019 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group.

7. GENERAL

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

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Reed Smith Richards Butler at 17/F One Island East, Taikoo Place, 18 Westlands Road, Quarry Bay, Hong Kong during normal business hours from the date of this circular up to the date of the EGM (except Saturdays, Sundays and public holidays):

- (a) the Second Supplemental Agreement;
- (b) the First Supplemental Agreement;
- (c) the Supply Framework Agreement;
- (d) letter from the Independent Board Committee dated 25 August 2020, the text of which is set out in the section headed “Letter from the Independent Board Committee” of this circular;

- (e) letter from Dakin Capital dated 25 August 2020, the text of which is set out in the section headed “Letter from Dakin Capital” of this circular;
- (f) the written consent referred to in the paragraph headed “Expert” in this appendix;
and
- (g) this circular.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING



比亞迪電子（國際）有限公司
BYD ELECTRONIC (INTERNATIONAL) COMPANY LIMITED
(incorporated in Hong Kong under the Companies Ordinance with limited liability)
(Stock Code: 285)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“EGM”) of BYD Electronic (International) Company Limited (the “**Company**”) will be held at the conference room of BYD Company Limited at No. 3009, BYD Road, Pingshan District, Shenzhen, the People’s Republic of China on Wednesday, 9 September 2020 at 10:00 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 second supplemental agreement referred to in the sub-section headed “II. REVISION OF EXISTING ANNUAL CAP FOR CONTINUING CONNECTED TRANSACTIONS – The Second Supplemental Agreement” in the “Letter from the Board” contained in the circular (the “**Circular**”) of the Company of which this notice forms part and the Proposed Annual Cap (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 August 2020

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Registered Office:

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

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

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

Notes:

1. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint one or more proxies (who must be an individual or individuals) to attend and vote on behalf of him. A proxy need not be a member of the Company.
2. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 4 September 2020 to Wednesday, 9 September 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending the EGM, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Thursday, 3 September 2020.
3. To be valid, a form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

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