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Electronics

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

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

(Stock code: 285)

**MAJOR TRANSACTION
IN RELATION TO
ACQUISITION OF THE TARGET SHARES**

Financial Adviser of the Company



Reference is made to the announcement dated 28 August 2023 (the “**Announcement**”) in relation to the entering of the Acquisition Framework Agreement which may constitute a possible major transaction of the Company under the Listing Rules. Unless otherwise stated, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcement.

THE FORMAL AGREEMENT

The Board is pleased to announce that on 26 September 2023 (after trading hours), the Company and the Seller entered into the Formal Agreement, pursuant to which, the Seller has conditionally agreed to sell, and the Company has conditionally agreed to acquire 100% of the equity interest in the Target Company and the Singapore Assets (which forms part of the Business) at the consideration of approximately RMB15.8 billion (equivalent to US\$2.2 billion) (subject to adjustments as set forth below).

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition is more than 25% but are less than 100%, the Acquisition constitutes a major transaction of the Company and is therefore subject to reporting, announcement and Shareholder’s approval requirements under Chapter 14 of the Listing Rules.

As none of the Directors has any material interest in the Acquisition and the transactions contemplated thereunder, none of the Directors is required to abstain from voting on the board resolutions approving the Acquisition and the transactions contemplated thereunder.

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval may be obtained by written Shareholders' approval in lieu of convening a general meeting if (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Formal Agreement and the transactions contemplated thereunder; and (b) the written approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the issued share capital of the Company having the right to attend and vote at the general meeting to approve the Formal Agreement and the transactions contemplated thereunder.

As at the date of this announcement, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, none of the Shareholders has any material interest in the Formal Agreement and the transactions contemplated thereunder, and therefore no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Formal Agreement and the transactions contemplated thereunder.

The Company has obtained a written approval from Golden Link Worldwide Limited, which is a wholly owned subsidiary of BYD and a controlling shareholder of the Company interested in 1,481,700,000 shares of the Company (representing approximately 65.76% of the issued share capital of the Company) as at the date of this announcement. Accordingly, no Shareholders' meeting will be convened by the Company to approve the Acquisition.

Pursuant to Rule 14.41(a) of the Listing Rules, a circular containing, amongst other things, further information of the Acquisition, the financial and other information of the Target Group, and the unaudited pro forma financial information of the Enlarged Group is required to be despatched to the Shareholders within 15 business days after publication of this announcement. Given that additional time is required for the Company to prepare and finalise the financial information of the Target Group and the Enlarged Group to be included in the circular, the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules. The Company will make a further announcement of the expected despatch date of the circular as and when appropriate.

The Acquisition is subject to the completion of Reorganization and the satisfaction (or, if applicable, waiver) of various conditions precedent and as such, and therefore the Acquisition may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

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Principal terms of the Formal Agreement are set as follows:

Date

26 September 2023 (after trading hours)

Parties

- i. the Purchaser: the Company; and
- ii. the Seller: Jabil Circuit (Singapore) Pte. Ltd.

To the best of Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the Seller and its ultimate beneficial owner(s) are Independent Third Parties of the Company.

Shares and Assets to be acquired

The Seller has conditionally agreed to sell, and the Company has conditionally agreed to acquire the Target Shares, representing 100% equity interest in the Target Company and the Singapore Assets. The Business to be transferred to the Target Group following the Reorganization comprises the mobility business of the Seller Group that manufactures components for consumer electronics products and mainly located in Chengdu and Wuxi.

Consideration

The consideration shall be approximately RMB15.8 billion (equivalent to US\$2.2 billion) (the "**Consideration**"), subject to the agreed completion accounts adjustment mechanism, with pre-closing and post-closing adjustments for cash, indebtedness and net working capital. The Consideration shall be settled by the Company in the following manner:

- (a) an advance deposit of approximately RMB359 million (equivalent to US\$50 million) paid to the parent company of the Seller prior to or upon the execution of the Formal Agreement;

- (b) a further deposit of (i) approximately RMB947 million (equivalent to US\$132 million) payable to an escrow agent and (ii) approximately RMB1,851 million (equivalent to US\$258 million) payable to the parent company of the Seller at the execution of the Formal Agreement;
- (c) an amount of approximately RMB287 million (equivalent to US\$40 million) (the “**Escrow Amount**”) shall be payable to an escrow agent to a special escrow fund to be established by the Seller pursuant to a customary escrow agreement at Closing, in order to provide for the reimbursement to the Company of certain contingencies during the period between the date of Closing and the third anniversary of the Closing; and
- (d) an amount equal to the resulting calculation of the purchase price (the “**Closing Purchase Price**”) which shall be ascertained no less than two Business Days prior to the anticipated Closing by the Seller prepared in accordance with the Formal Agreement having considered, among others, the estimated cash, indebtedness and the net working capital at the time of Completion, and the target net working capital which shall be approximately RMB1,435 million (equivalent to US\$200 million), less: (i) the aforementioned deposits described in (a) and (b) above and any interest or other amounts earned thereon (collectively the “**Deposit**”); and (ii) the Escrow Amount, shall be payable to the Seller at Closing.

The Consideration was determined based on fair negotiations with reference to, among other things, the strategic fit with the Group’s business and Business’s growth prospects, potentially realizable by the implementation of strategic synergies arising from the Acquisition. The Consideration will be satisfied by way of the Group’s internal resources, as well as the shareholder’s loan to be provided by BYD.

Pursuant to the Formal Agreement, the Company, BYD and the Seller had also entered into the Loan Agreement, pursuant to which BYD as lender had agreed to provide a shareholder’s loan to the Company in the principal amount of approximately RMB15,422 million (equivalent to US\$2,150,000,000) or any other amount mutually agreed among the Company, BYD and the Seller (the “**Loan**”), at an interest rate based on the SOFR (being Secured Overnight Financing Rate) (yearly) on the drawdown date as agreed pursuant to the Loan Agreement (the “**Disbursement Date**”) plus 68 bps (basis points) to finance the payment of the Consideration and resume the payment obligations of the Company in the event that the Company failed to pay any part of the Consideration. The Loan is repayable by the Group within one year from the Disbursement Date of the Loan and the Group intends to repay the Loan by the net cash inflow generated from the operating activities of the Enlarged Group or conduct other fund-raising activities if needed. BYD is a controlling Shareholder of the Company indirectly interested in approximately 65.76% of the issued share capital of the Company as at the date of the Loan Agreement, and therefore is a connected person of the Company under Chapter 14A of the Listing Rules. Borrowings from controlling shareholders, being a financial assistance received by the Group from a connected person, constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. As the Loan was provided on normal commercial terms and it is not secured by the assets of the Group, the provision of the Loan by BYD is fully exempted from shareholders’ approval, annual review and all disclosure requirements pursuant to Rule 14A.90 of the Listing Rules.

Reorganization

The Reorganization will be principally carried out by the Seller and its subsidiaries prior to the Closing and any costs and expenses in connection with performing the relevant reorganization actions shall be borne by the Seller. In addition, the Seller shall pay the tax arising from the direct transfer of any PRC assets as part of Reorganization.

Conditions Precedent

Completion of the Acquisition shall take place three Business Days following the satisfaction or, if applicable, the waiver, of the closing conditions including but not limited to:

- (a) accuracy of certain fundamental and other warranties to be made by each of the parties;
- (b) obtaining all required approvals, filings, and registrations from the relevant governmental and regulatory authorities (if applicable);
- (c) completion of the Reorganization in all material respects; and
- (d) obtaining of the requisite Shareholder's approval(s).

Upon Completion, the Target Company will become a subsidiary of the Company and the financial results of the Target Company will be consolidated into the financial statements of the Group.

Exclusivity

Between the date of the Formal Agreement and the earlier of the Closing or the termination of the Formal Agreement, provided that the Company is not in material breach of the Formal Agreement or other ancillary agreements, the Seller shall not, directly or indirectly solicit, initiate, encourage, continue or accept, participate in any discussions, conversations, negotiations or other communications in relation to any proposals or offers (i) relating to a direct or indirect acquisition or purchase of the Business, or (ii) to enter into any merger, consolidation or other business combination relating to any member of the Target Group or the Business.

Termination

The Formal Agreement may be terminated in various situations including but not limited to:

- (a) by the mutual written consent of the parties;
- (b) by a party if the other party breaches any provision of the Formal Agreement and such breach would cause any closing condition not to be satisfied; and such closing condition is incapable of being satisfied by the date as agreed between the parties or has not been cured within the period of time specified in the Formal Agreement and such party is not a proximate cause of the related breach; or
- (c) in the event any governmental authorities shall have issued any order that permanently enjoins or otherwise makes illegal the sale and purchase of the Target Shares pursuant to the Formal Agreement.

Transitional Arrangements

Upon Closing, the Company, the Seller and the Target Company will enter into a transition services agreement pursuant to which the Seller will provide certain services such as IT services and support for a period of time at fees based on actual costs on a transitional basis to primarily allow the Company and the Target Group to develop the relevant capacities.

In relation to the existing employees employed by the Seller or its subsidiaries in relation to the Business, to the extent permitted by laws and regulations, the Company and the Seller will, jointly through commercially reasonable efforts to transfer the employment of the existing employees to the Target Group as soon as practicable.

In relation to real properties, the Business also includes certain real properties that are leased, subleased or licensed by the Target Group, primarily in Chengdu and Wuxi China. There are no contractual or legal restrictions that preclude or restrict the ability to use the leased real properties, except to the extent that such use is not material to the Business, by any members of the Target Group for the operation of the Business as conducted as of the date of the Formal Agreement.

INFORMATION OF THE COMPANY, THE SELLER, THE TARGET COMPANY AND BYD

The Company

The Company is a Hong Kong limited liability company, whose shares are listed on the main board of the Stock Exchange. It is a global leading platform-based high-end manufacturing enterprise, providing customers with new materials development, product design and development, parts and components as well as complete machine manufacturing, supply chain management, logistics, after-sales and other one-stop services. The Group engages in a wide variety of businesses ranging from smart phones, tablet PCs, new energy vehicles, smart home, game hardware, unmanned aerial vehicles, Internet of Things, robots, communication equipment, health devices to other diversified market areas.

The Seller

The Seller is a private company incorporated in Singapore. It is a subsidiary of Jabil Inc., a company listed on the New York Stock Exchange, which is a manufacturing solutions provider with over 250,000 employees across 100 locations in 30 countries. The principal business of Jabil Inc. includes design engineering, manufacturing and supply chain services for the EMS (Electronics Manufacturing Services) and consumer industries; and materials technology services (plastics, metals, automation and tooling). Jabil Inc. provides world's leading brands with strong breadth and depth of end-market experience, technical and design capabilities, manufacturing know-how, supply chain insights and global product management expertise.

Target Company

The Target Company is a private company incorporated in Singapore with limited liability in August 2023. It is expected that the Target Group will principally engage in the Business, which is the mobility business of the Seller Group which manufactures components for consumer electronics products and mainly located in Chengdu and Wuxi, after the Reorganization. The Reorganization is expected to be completed before Closing. As the Target Company is a newly incorporated company and has not engaged in any business activity, the Target Company has had no material assets and liabilities on its accounts as at the date of this announcement.

Financial information of the Business

Set out below is certain unaudited consolidated financial information of the Business for the two years ended 31 August 2022 and 31 August 2021 respectively as extracted from the unaudited financial statements of the Business prepared in accordance with US GAAP.

	For the year ended 31 August 2022 (unaudited) US\$'000	For the year ended 31 August 2021 (unaudited) US\$'000
Revenue	4,259,750	4,450,758
Profit before tax	160,837	263,585
Profit after tax	143,239	237,490

As at 31 August 2022, the unaudited combined total asset value of the Business was approximately US\$2,386,566,393. As at 31 May 2023, the unaudited combined total asset value of the Business was approximately US\$1,916,132,721. Given the Reorganization is expected to be completed before Closing, the unaudited financial statements of the Business may be subject to further changes, and the audited financial information of the Target Group for the two years ended 31 August 2022 and 31 August 2021 will be contained in the circular of the Company to be despatched to the Shareholders.

BYD

BYD is a joint stock company incorporated in the PRC with limited liability whose shares are listed on the Main Board of the Stock Exchange and the Main Board of the Shenzhen Stock Exchange. The BYD Group is principally engaged in automobile business, handset components and assembly services, as well as rechargeable battery and photovoltaic business, and is actively developing the urban rail transportation business segment by capitalising on its technological superiority. BYD is ultimately controlled by Mr. WANG Chuan-fu, a non-executive Director of the Company.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Board believes that the Acquisition will broaden the Group's customer base and diversify its product portfolio, expand the business of smartphone components, significantly improve the Group's customer and product structure, further capitalize on market development opportunities, enhance the strategic layout of core component products, propel the industrial upgrading of the Group, and mark the beginning of a new cycle of rapid growth. While improving the Group's offering of products, the Acquisition will effectively synergize with the existing products of the Company, enhance the overall competitiveness, ensure long-term sustainable development, and create value for customers and shareholders of the Group.

The Directors consider that the terms of the Formal Agreement are fair and reasonable, on normal commercial terms and are in the best interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition is more than 25% but are less than 100%, the Acquisition constitutes a major transaction of the Company and is therefore subject to reporting, announcement and Shareholder's approval requirements under Chapter 14 of the Listing Rules.

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As at the date of this announcement, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, none of the Shareholders has any material interest in the Formal Agreement and the transactions contemplated thereunder, and therefore no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Formal Agreement and the transactions contemplated thereunder.

The Company has obtained a written approval from Golden Link Worldwide Limited, which is a wholly owned subsidiary of BYD and a controlling shareholder of the Company interested in 1,481,700,000 shares of the Company (representing approximately 65.76% of the issued share capital of the Company) as at the date of this announcement. Accordingly, no Shareholders' meeting will be convened by the Company to approve the Acquisition.

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DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Acquisition”	the conditional sale and purchase of the Target Shares and the Singapore Assets as contemplated under the Formal Agreement
“Business”	the mobility business of the Seller Group which manufactures components for consumer electronics products and mainly located in Chengdu and Wuxi
“Business Day(s)”	any day other than (a) a Saturday or a Sunday or (b) a day on which banking and savings and loan institutions are authorized or required to be closed in either (i) New York, (ii) St. Petersburg, Florida, (iii) Hong Kong, or (iv) Shenzhen, the PRC
“BYD”	BYD Company Limited (比亞迪股份有限公司), a joint stock company incorporated in the PRC with limited liability whose H shares are listed on the Main Board of the Stock Exchange and A shares are listed on the Main Board of the Shenzhen Stock Exchange
“Consideration”	has the meaning as ascribed in the sub-section headed “The Formal Agreement – Consideration” in this announcement

“Formal Agreement”	the formal sale and purchase agreement entered into between the Company and the Seller on 26 September 2023 in relation to the Acquisition
“Loan Agreement”	the loan agreement entered into between BYD, the Company and the Seller on 26 September 2023 pursuant to the Formal Agreement in relation to the provision of the shareholder’s loan by BYD to the Company in relation to the Acquisition
“Seller Group”	the Seller and its subsidiaries
“Singapore Assets”	Seller’s relationship with the existing top customers in relation to Business, including related goodwill, strategies capabilities and other intangible assets, as such relationship is managed by Seller as of immediately prior to the Closing

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

Hong Kong, 27 September 2023

As at the date of this announcement, 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.

For the purpose of illustration only and unless otherwise stated, conversion of US\$ into RMB in this announcement is based on the exchange rate of US\$1.00 to RMB7.1727. Such conversion should not be construed as a representation that any amount has been, could have been, or may be, exchanged at this or any other rate.