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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in BOE VARITRONIX LIMITED, you should at once hand this circular and the enclosed proxy form to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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# BOE

## **BOE VARITRONIX LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 710)**

**CONTINUING CONNECTED TRANSACTIONS  
REVISION OF ANNUAL CAP  
AND RENEWAL OF PURCHASE TRANSACTIONS  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

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



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A letter from the Board is set out on pages 4 to 17 of this circular. A letter from the Independent Board Committee containing its recommendation is set out on pages 18 to 19 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 20 to 41 of this circular.

A notice convening the hybrid SGM of the Company to be held at Units A – F, 35/F., Legend Tower, No. 7 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong on Friday, 22 October 2021 at 10 a.m. is set out on pages SGM-1 to SGM-3 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return it to the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the meeting or any adjourned meeting. Completion and return of the proxy form will not preclude you from attending and voting in person at the meeting or any adjourned meeting if you so wish.

Hong Kong, 30 September 2021

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## DEFINITIONS

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

“Annual Caps”	:	the proposed maximum amounts in respect of the Purchase Transactions under the Renewed Master Purchase Agreement for the three years ending 31 December 2022, 2023 and 2024
“associate(s)”	:	has the same meaning as ascribed to it under the Listing Rules
“Board”	:	the board of Directors
“BOE”	:	BOE Technology Group Co., Ltd.
“BOE(HK)”	:	BOE Technology (HK) Limited, a company incorporated in Hong Kong with limited liability, is a wholly-owned subsidiary of BOE
“BOE Group”	:	BOE and its subsidiaries (excluding the Group for the purposes of this circular)
“Company”	:	BOE Varitronix Limited (stock code: 710), the Shares are listed on the Main Board of the Stock Exchange
“connected person(s)”	:	has the same meaning as ascribed to it under the Listing Rules
“Director(s)”	:	director(s) of the Company
“Existing Annual Cap”	:	the annual cap of HK\$3,362 million for the anticipated maximum amount in respect of the Purchase Transactions for the year ending 31 December 2021 as disclosed in the announcement of the Company dated 22 November 2018
“Group”	:	the Company and its subsidiaries
“HK\$”	:	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	:	the Hong Kong Special Administrative Region of the PRC

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## DEFINITIONS

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- “Independent Board Committee” : an independent board committee of the Board, comprising all the independent non-executive Directors, namely Mr. Fung, Yuk Kan Peter, Mr. Chu, Howard Ho Hwa and Mr. Hou Ziqiang, to advise the Independent Shareholders in respect of the Revised Cap, the Renewed Master Purchase Agreement and the transactions contemplated thereunder (including the Annual Caps)
- “Independent Financial Adviser” : Opus Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Revised Cap, the Renewed Master Purchase Agreement and the transactions contemplated thereunder (including the Annual Caps)
- “Independent Shareholders” : Shareholders other than BOE(HK) and its associates
- “Latest Practicable Date” : 28 September 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
- “LCDs” : liquid crystal displays
- “Listing Rules” : the Rules Governing the Listing of Securities on the Stock Exchange
- “Master Purchase Agreement” : the master purchase agreement entered into between the Company and BOE dated 22 April 2016 (as renewed by the agreements dated 27 October 2016 and 22 November 2018) pursuant to which the Group agreed to purchase TFT panels and other products including, but not limited to, raw materials for manufacturing TFT modules from the BOE Group effective up to 31 December 2021
- “PRC” : the People’s Republic of China (which for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region and Taiwan)

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## DEFINITIONS

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“Purchase Transactions”	:	all transactions contemplated under the Master Purchase Agreement and subject to the Independent Shareholders’ approval under the Renewed Master Purchase Agreement
“Renewed Master Purchase Agreement”	:	the renewed master purchase agreement entered into between the Company and BOE dated 6 September 2021 to extend the term of the Master Purchase Agreement up to 31 December 2024
“Revised Cap”	:	the proposed revised maximum amount in respect of the Purchase Transactions for the year ending 31 December 2021
“SFO”	:	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	:	a hybrid special general meeting to be convened and held by the Company to consider and, if thought fit, pass resolutions to approve the Revised Cap, the Renewed Master Purchase Agreement and the transactions contemplated thereunder (including the Annual Caps)
“Share(s)”	:	the ordinary share(s) of HK\$0.25 each in the share capital of the Company
“Shareholder(s)”	:	the holder(s) of the Share(s)
“Stock Exchange”	:	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	:	has the same meaning as ascribed to it under the Listing Rules
“TFT”	:	thin film transistor
“TP”	:	touch panel
“%”	:	per cent

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LETTER FROM THE BOARD

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**BOE VARITRONIX LIMITED**

*(Incorporated in Bermuda with limited liability)*  
**(Stock Code: 710)**

***Directors:***

*Executive Directors:*

Mr. Gao Wenbao (*Chairman*)  
Ms. Ko Wing Yan, Samantha  
Mr. Su Ning

*Non-executive Directors:*

Mr. Shao Xibin  
Mr. Jin Hao  
Ms. Zhang Shujun

*Independent Non-executive Directors:*

Mr. Fung, Yuk Kan Peter  
Mr. Chu, Howard Ho Hwa  
Mr. Hou Ziqiang

***Registered Office:***

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

***Head Office and Principal***

***Place of Business:***

Units A – F, 35/F  
Legend Tower  
No. 7 Shing Yip Street  
Kwun Tong  
Kowloon  
Hong Kong

30 September 2021

*To the Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS  
REVISION OF ANNUAL CAP  
AND RENEWAL OF PURCHASE TRANSACTIONS  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

**1. INTRODUCTION**

The Group has been carrying out the Purchase Transactions with the BOE Group. Reference is made to the announcement of the Company dated 22 November 2018 and 6 September 2021, as well as the circular of the Company dated 22 December 2018 in relation to the Purchase Transactions.

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## LETTER FROM THE BOARD

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It is expected that the transaction amount under the Master Purchase Agreement for the year ending 31 December 2021 will be higher than the Existing Annual Cap of HK\$3,362 million. On 6 September 2021, the Board has resolved to revise the Existing Annual Cap for the year ending 31 December 2021. The Master Purchase Agreement will expire on 31 December 2021. On 6 September 2021 (after trading hours), the Company and BOE entered into the Renewed Master Purchase Agreement, subject to the terms and conditions therein, to extend the terms of the Master Purchase Agreement to 31 December 2024.

The purpose of this circular is to provide you with information regarding (i) details of the Revised Cap, the Renewed Master Purchase Agreement and the transactions contemplated thereunder (including the Annual Caps); (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Revised Cap, the Renewed Master Purchase Agreement and the transactions contemplated thereunder (including the Annual Caps); (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Revised Cap, the Renewed Master Purchase Agreement and the transactions contemplated thereunder (including the Annual Caps); (iv) a notice convening the SGM; and (v) other information required under the Listing Rules.

## 2. REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Group is principally engaged in the automotive and industrial display business and has monochrome display manufacturing capacity and TFT and TP display module assembly capacity. The Group manages its business as a single unit and, accordingly, the design, manufacture and sale of LCDs and related products is the only reporting segment and virtually all of the revenue and operating profits are derived from this business segment. With over 15 years of solid experience in serving customers in the automotive industry, the Group has accumulated extensive experience and built sound reputation in manufacturing products according to customers' specific requirements, specific modular assembly technologies and stringent product quality control. Furthermore, the Group has established a stable customer network in automotive industry after over 15 years of serving customers in this industry and has its own marketing team in the PRC, Hong Kong, Asia, Europe and the United States which has been set up for over 10 years.

BOE, a company whose shares are listed on the Shenzhen Stock Exchange (stock code 000725 for its A shares and stock code 200725 for its B shares), together with its subsidiaries supply/provide semiconductor display technologies, products and services. The BOE Group's products are widely used in a broad spectrum of applications such as mobile phones, tablets, notebooks, monitors, TVs, vehicle displays and digital information displays.

The Group is the sole platform of automotive display module and system business in the BOE Group. Since 2016, the Group has from time to time purchased from the BOE Group, TFT panels, TFT modules and other products including, but not limited to, raw materials for the manufacturing of its TFT modules. As advised by the management of the Company, the Group requires a reliable and sizeable supplier, which is not a competitor (or an affiliate of a

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## LETTER FROM THE BOARD

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competitor) of the Group or the BOE Group, to provide a stable and high quality supply of TFT panels, TFT modules and other products to the Group. Buying TFT panels, TFT modules and other products from other sizeable suppliers may not be economically viable as many of them are in a competitive position with the Group or the BOE Group. As BOE is the controlling Shareholder of the Company and the BOE Group recognises the Group's unique position as the sole platform of automotive display module and system business in the BOE Group, BOE is not in a competitive position with the Group like other upstream suppliers. On the other hand, buying TFT panels, TFT modules and other products from a number of smaller independent third party suppliers, although possible, may turn out to be more costly and inefficient to the Group in comparison of purchasing from the BOE Group.

Leveraging the BOE Group's competitive edges, such as panel research and automated manufacturing process, the BOE Group has supplied the Group with TFT panels and modules with customised design and comprehensive quality support at prices considered to be fair and reasonable by the Company. With the stable supply of TFT panels and provision of technical support by the BOE Group, together with the availability of the BOE's full spectrum of state-of-the-art display products, the Group's TFT business expanded rapidly, especially in the PRC, even though the automotive display market faced keen competition. Total revenue of the Group increased from approximately HK\$2,879 million in 2017 to approximately HK\$4,527 million in 2020. In 2020, the Group's TFT module business and TP display modules business contributed over 75% of the Group's revenue. For the first half of 2021, the Group recorded revenue of approximately HK\$3,200 million, representing an increase of approximately 69% when compared with approximately HK\$1,898 million recorded in the first half of 2020. The revenue from the sales of TFT modules and TP display modules accounted for approximately 81% of the Group's total revenue for the first half of 2021. The Group's profit attributable to shareholders for the first half of 2021 has increased by approximately HK\$76.9 million, approximately 423% as compared to the same period of 2020, and the profit attributable to shareholders ratio, being the profit attributable to shareholders over the Group's revenue, increased to 3% for the first half of 2021 as compared to 1% in the same period of 2020. BOE together with the Group, being the BOE Group's sole platform of automotive display module and system business, has maintained the leading position in the global automotive display market.

The Group expects the momentum of growth will continue throughout the second half of 2021 based on its sales order status of mass production projects and the growth engine will mainly come from the TFT and TP modules orders of the PRC. The Group will continue to increase market share through the establishment of close relationship with customers and by deepening its cooperation with strategic partners. In view of the positive outlook of the automotive display business and to capture further market share, the Group is considering to expand its TFT and TP display module manufacturing facilities in the PRC through joint venture cooperation with the BOE Group.

As stated in the Company's 2021 interim results announcement, the market condition and demand in the PRC automotive market have fast recovered from the COVID-19 pandemic and the sales order started to surge in the second half of 2020. According to the website of China



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## LETTER FROM THE BOARD

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Association of Automobile Manufacturers (<http://www.caam.org.cn/index.html>), a registered association under the Ministry of Civil Affairs of the PRC government since 1991, the total number of cars sold in the PRC slumped in February and March 2020 as a result of the COVID-19 pandemic, by approximately 79.1% and 43.3% when compared with their corresponding month in 2019, respectively. The COVID-19 pandemic condition in the PRC has been improving since the second quarter of 2020. For the year of 2020, the total number of cars sold in the PRC maintained a similar level to that of 2019, and such total sales quantity further increased by approximately 25.7% in the first half of 2021 comparing to the first half of 2020. With the Group's quick reaction to the increase in demand from the PRC customers, the Group recorded a growth of approximately 54.5% in revenue from the PRC market (mainly consisted of revenue from the automotive display business), during the second half of 2020 and doubled the revenue in the first half of 2021 when compared with their respective corresponding period in the previous year. The overall average selling price of the PRC market has been increasing since the second half of 2020 due to the shift of product mix to more contribution from TP module products and large-sized TFT with higher selling price. As the business of the Group continues to grow and the prices of the products under the Master Purchase Agreement continue to increase, it is expected that the transaction amount under the Master Purchase Agreement for the year ending 31 December 2021 will be higher than the Existing Annual Cap of HK\$3,362 million. Accordingly, on 6 September 2021, the Board has resolved to revise the Existing Annual Cap for the year ending 31 December 2021. In view of the expiration of the Master Purchase Agreement on 31 December 2021, the Company entered into the Renewed Master Purchase Agreement on 6 September 2021 (after trading hours), subject to the Independent Shareholders' approval, to extend the terms of the Master Purchase Agreement to 31 December 2024.

Taking into account the aforesaid factors including the reasons for the transactions and the terms of the transactions including the pricing policy as discussed in this letter below, the Directors (including the independent non-executive Directors after considering the letter of advice from the Independent Financial Adviser) are of the view that the terms of the Renewed Master Purchase Agreement are fair and reasonable and the transactions contemplated thereunder are on normal commercial terms, in the ordinary course of business of the Group and in the interests of the Company and the Shareholders as a whole, and the Revised Cap for the year ending 31 December 2021 and the Annual Caps for the three years ending 31 December 2024 are fair and reasonable so far as the Independent Shareholders are concerned.

### **3. REVISION OF EXISTING ANNUAL CAP**

As the business of the Group continues to grow and the prices of the products under the Master Purchase Agreement continue to increase, the Company proposed to revise the Existing Annual Cap for the year ending 31 December 2021 from HK\$3,362 million to HK\$5,000 million. Save for the revision of the Existing Annual Cap for the year ending 31 December 2021, all other terms and conditions under the Master Purchase Agreement remain the same. The Revised Cap is subject to the approval by the Independent Shareholders at the SGM.

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## LETTER FROM THE BOARD

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### 4. RENEWED MASTER PURCHASE AGREEMENT

Date : 6 September 2021

Parties : (i) The Company  
(ii) BOE

Subject : Subject to the terms and conditions of the Renewed Master Purchase Agreement, the Group may from time to time purchase TFT panels, TFT modules and other products including, but not limited to, raw materials for manufacturing TFT modules from the BOE Group on a non-exclusive basis. For the avoidance of doubt, the Group has independent access to sources of raw materials for production other than the BOE Group, and has maintained business discussions with independent third party suppliers and purchased components from these suppliers from time to time. The Group is not contractually bound to purchase TFT panels, TFT modules and other products from the BOE Group and is free to purchase TFT panels, TFT modules and other products from any other third party supplier during the term of the Renewed Master Purchase Agreement.

The Group may enter into separate and definitive agreements from time to time with the BOE Group to provide, among others, the exact quantity, specifications and quality requirement of the TFT panels, TFT modules and other products, place and date of delivery, price and payment terms, pursuant to the terms of the Renewed Master Purchase Agreement.

Term : Subject to approval of the Independent Shareholders, the Renewed Master Purchase Agreement will become effective from 1 January 2022 up to 31 December 2024. The Renewed Master Purchase Agreement will continue to be effective up to 31 December 2024 provided that BOE and/or its subsidiaries hold(s) at least 30% of the issued shares of the Company (i.e. if BOE and/or its subsidiaries hold(s) less than 30% of the issued shares of the Company, the Renewed Master Purchase Agreement will be terminated).

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## LETTER FROM THE BOARD

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Pricing policy : With regard to the standardised TFT panels, TFT modules and other products, the BOE Group shall offer the most favourable selling price to the Group which shall represent a discount to the standard price of the BOE Group and such discount shall not be less than any discount offered by the BOE Group to any other customers of the BOE Group. In determining the amount of discount, the BOE Group takes into account different factors such as product types and the material supply and demand which vary from time to time when each transaction is conducted.

In assessing the discounts offered by the BOE Group, the Group will enquire the BOE Group to provide the discounts offered to other customers for the same standardised TFT panels, TFT modules and other products for the past three months (if any) to ensure that such discount shall not be less than any discount offered by the BOE Group to any other customers of the BOE Group. In assessing the prices offered by the BOE Group, the purchasing department of the Group will invite on a best effort basis quotations from at least two independent suppliers for the same standardised TFT panels, TFT modules and other products and request the BOE Group to provide confirmation with any available transaction information between the BOE Group and its other customers for the past three months to ensure that the discount offered to the Group for the same standardised TFT panels, TFT modules and other products is not less than that offered to other customers. Furthermore, the Group will only agree to make the purchase from the BOE Group if the ultimate sale of the related TFT modules is profitable. The Company considers that such pricing basis is in line with market practice, fair and reasonable, and on normal commercial terms.

With regard to the customised TFT panels, TFT modules and other products, the BOE Group shall offer to the Group a selling price which shall not be higher than the selling price offered to the BOE Group's other customers. The price is determined with reference to factors such as the complexity of the manufacturing process and the supply and demand situation of the relevant materials which may vary from time to time.

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## LETTER FROM THE BOARD

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In assessing the prices offered by the BOE Group, the purchasing department of the Group will invite on a best effort basis quotations from at least two independent suppliers for orders of customised TFT panels, TFT modules and other products based on substantially the same requirements and/or specifications and request the BOE Group to provide confirmation with any available transaction information between the BOE Group and its other customers for the past three months to ensure that the selling price offered to the Group for customised TFT panels, TFT modules and other products with similar requirements and specifications is not higher than that offered to other customers. Furthermore, the Group will only agree to make the purchase from the BOE Group if the ultimate sale of the related TFT modules is profitable. The Company considers that such pricing basis is in line with market practice, fair and reasonable, and on normal commercial terms.

Since the Renewed Master Purchase Agreement covers many different products, and the specifications, market demand and supply of the said products or their required production materials may change from time to time, the Company considers that it is not practicable or in the best interests of the Company and its Shareholders to pre-determine any specific range of unit price and discount rate.

Payment : The Group shall settle the purchase price to the BOE Group within 60 days of delivery.

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## LETTER FROM THE BOARD

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### 5. HISTORICAL FIGURES AND PROPOSED ANNUAL CAPS

The table below sets out (1) the historical actual amounts of the Purchase Transactions for the two years ended 31 December 2019 and 2020 and for the eight months ended 31 August 2021; and (2) the existing annual caps for the Purchase Transactions for the three years ending 31 December 2021.

<i>(in HK\$'000)</i>	<b>Actual transaction amount</b>			<b>Existing annual caps</b>		
	<b>For the year ended</b>		<b>For the</b>	<b>For the year ended</b>		
	<b>31 December</b>		<b>eight</b>	<b>31 December</b>		
	<b>2019</b>	<b>2020</b>	<b>months</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
			<b>ended</b>			
			<b>31 August</b>			
			<b>2021</b>			
Purchase Transactions	1,367,507	2,346,637	2,700,228	1,621,000	2,431,000	3,362,000

The table below sets out the Revised Cap for the year ending 31 December 2021 and the Annual Caps for each of the years ending 31 December 2022, 2023 and 2024.

<i>(in HK\$'000)</i>	<b>The Revised Cap</b>		<b>The Annual Caps</b>		
	<b>For the year ending</b>		<b>For the year ending</b>		
	<b>31 December</b>		<b>31 December</b>		
	<b>2021</b>		<b>2022</b>	<b>2023</b>	<b>2024</b>
Purchase Transactions		5,000,000	6,800,000	6,000,000	6,800,000

The Revised Cap for the year ending 31 December 2021 is determined after taking into account, among other things,

- (i) the estimated sales based on orders received for TFT/TP modules and other products in which the terms including the estimated quantity, product specifications and planned delivery schedule have already been agreed with and accepted by the customers of the Group;
- (ii) the estimated amount of the Purchase Transactions for new orders for TFT/TP modules and other products in the rest of 2021 which is estimated with reference to the actual orders received by the Group; and
- (iii) an additional buffer of approximately 5%.

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## LETTER FROM THE BOARD

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The Annual Caps for the three years ending 31 December 2024 are determined after taking into account, among other things,

- (i) the existing orders of the Group for TFT/TP modules and other products in which the terms including the estimated quantity, product specifications and planned delivery schedule have already been agreed with and accepted by the customers of the Group;
- (ii) the estimated amount of the Purchase Transactions for new orders for TFT/TP modules and other products in 2022, 2023 and 2024 which is estimated with reference to the actual orders received by the Group;
- (iii) the estimated increase in demand and prices (with the shift in product mix with higher selling price) of products under the Renewed Master Purchase Agreement in 2022, 2023 and 2024;
- (iv) the estimated decrease in the amount of Purchase Transactions for TFT/TP modules from the BOE Group since 2023 following the Group's plan to expand its TFT and TP display module manufacturing facilities in the PRC through joint venture cooperation with the BOE Group, which partly offsets the effect of the estimated increase in demand and prices of products set out in item (iii) above; and
- (v) an additional buffer of approximately 5%.

The Purchase Transactions will be conducted pursuant to the Master Purchase Agreement and the Renewed Master Purchase Agreement, and will be subject to compliance with the Revised Cap for the year ending 31 December 2021 and the Annual Caps for the three years ending 31 December 2024 as mentioned in the table above. The Directors (including the independent non-executive Directors after considering the letter of advice from the Independent Financial Adviser) are of the view that the Revised Cap and Annual Caps are fair and reasonable.

### **6. INTERNAL CONTROL**

In assessing the prices offered by the BOE Group, the purchasing department of the Group will invite on a best effort basis quotations from at least two independent suppliers for orders with similar requirements and/or specifications, and review, among other things, the price, the delivery time, the payment terms, quality standard and technical capability to determine if the major terms offered by the BOE Group are fair and reasonable and no less favorable than the terms available to the Group from independent suppliers. In assessing the discount offered by the BOE Group, the Group will enquire the BOE Group to provide the discounts offered to other customers for the same standardised TFT panels, TFT modules and other products for the past three months (if any) to ensure that such discount shall not be less than any discount offered by the BOE Group to any other customers of the BOE Group. If the

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## LETTER FROM THE BOARD

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purchasing department of the Group considers that the major terms of the Purchase Transactions are on normal commercial terms or better, it shall report to the chief executive officer of the Company who will review and approve such major terms.

The senior management of the purchasing department and the finance department of the Group will conduct regular checks on a monthly basis to review and assess whether the Purchase Transactions are conducted in accordance with the terms of the Master Purchase Agreement and the Renewed Master Purchase Agreement. Moreover, the internal audit department of the Group will semi-annually review the Group's internal control procedures to ensure that they remain effective and adequate. The internal audit department of the Group will report semi-annually to the independent non-executive Directors during audit committee meetings.

The independent non-executive Directors will review the Purchase Transactions semi-annually to check and confirm whether such transactions are conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better, in accordance with the Master Purchase Agreement and the Renewed Master Purchase Agreement governing them, on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's external auditors will review the Purchase Transactions annually to check and confirm, among others, whether the pricing terms have been adhered to and whether the relevant caps have been exceeded.

The Directors consider that the internal control system of the Group is adequate to ensure that the Purchase Transactions will be on normal commercial terms and no less favourable to the Company than those offered by independent third parties.

### **7. LISTING RULES IMPLICATIONS**

BOE(HK), a wholly-owned subsidiary of BOE, is a substantial shareholder of the Company holding approximately 54.34% of the issued share capital of the Company as at the Latest Practicable Date. BOE is an associate of BOE(HK) and is thus a connected person of the Company under the Listing Rules. As such, the Purchase Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Based on the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules, the Revised Cap, the Renewed Master Purchase Agreement and the transactions contemplated thereunder (including the Annual Caps) are subject to the reporting, announcement, circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, Mr. Gao Wenbao (“**Mr. Gao**”), an executive Director, holds 1,860,700 A shares of BOE, Mr. Su Ning (“**Mr. Su**”), an executive Director, holds 150,000 A shares of BOE, Mr. Shao Xibin (“**Mr. Shao**”), a non-executive Director, holds 787,600 A shares of BOE, Mr. Jin Hao (“**Mr. Jin**”), a non-executive Director, holds 628,800 A shares of BOE, and Ms. Zhang Shujun (“**Ms. Zhang**”), a non-executive Director, holds 153,700 A shares of BOE. In addition, Mr. Gao is the executive director, a member of the executive committee and the executive vice president of BOE, and the chief executive officer of Display Business Group of BOE. Mr. Su is a general manager of the application business department of Beijing BOE Display Technology Co., Ltd. (a subsidiary of BOE). Mr. Su has concurrently served as a general manager of the automotive SBU of BOE and a vice president of BOE. Mr. Shao is the chief new product officer of Display Business Group of BOE. Mr. Jin is a head of the production and sales management centre of Display Business Group of BOE and Display Device of BOE. Ms. Zhang is a vice head of financial operation management of Display Business Group of BOE and a financial controller of Nanjing CEC Panda FPD Technology Co., Ltd., a subsidiary of BOE.

In view of the above, Mr. Gao, Mr. Su, Mr. Shao, Mr. Jin and Ms. Zhang might be considered having interests in the Revised Cap, the Renewed Master Purchase Agreement and the transactions contemplated thereunder (including the Annual Caps), and thus have abstained from voting on the relevant Board resolutions. Save for the abovementioned Directors, no other Directors were required to abstain from voting on the relevant Board resolutions.

### **8. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Fung, Yuk Kan Peter, Mr. Chu, Howard Ho Hwa and Mr. Hou Ziqiang, has been formed to advise the Independent Shareholders in respect of the Revised Cap, the Renewed Master Purchase Agreement and the transactions contemplated thereunder (including the Annual Caps).

Opus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Revised Cap, the Renewed Master Purchase Agreement and the transactions contemplated thereunder (including the Annual Caps).

### **9. GENERAL**

A notice convening the hybrid SGM is set out on pages SGM-1 to SGM-3 of this circular. The SGM will be convened and held with a combination of (a) a physical meeting at Units A-F, 35/F., Legend Tower, No. 7 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong; and (b) a virtual meeting online on Friday, 22 October 2021 at 10 a.m. for the purposes of considering and, if thought fit, approving the Revised Cap, the Renewed Master Purchase Agreement and



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## LETTER FROM THE BOARD

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the transactions contemplated thereunder (including the Annual Caps). The voting in relation to the Revised Cap, the Renewed Master Purchase Agreement and the transactions contemplated thereunder (including the Annual Caps) at the SGM will be conducted by way of a poll.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return it to the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the meeting or any adjourned meeting. Completion and return of the proxy form will not preclude you from attending and voting in person at the meeting or any adjourned meeting if you so wish.

The register of members of the Company will be closed from Tuesday, 19 October 2021 to Friday, 22 October 2021 (both days inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the SGM, all transfers of shares accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited, of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 18 October 2021.

Any Shareholders with a material interest in the Revised Cap, the Renewed Master Purchase Agreement and the transactions contemplated thereunder (including the Annual Caps) shall abstain from voting on the relevant resolutions at the SGM. BOE(HK), a substantial shareholder of the Company and a subsidiary of BOE having material interest in the Revised Cap, the Renewed Master Purchase Agreement and the transactions contemplated thereunder (including the Annual Caps), is required to abstain from voting at the SGM. As at the Latest Practicable Date, BOE(HK) held 400,000,000 Shares, representing approximately 54.34% of the total issued share capital of the Company. Save for BOE(HK), as at the Latest Practicable Date, to the best knowledge of the Directors, no other Shareholders would be required to abstain from voting on the relevant resolutions at the SGM.

### **10. RECOMMENDATION**

The Directors (including the independent non-executive Directors after considering the letter of advice from the Independent Financial Adviser) consider that (i) the Revised Cap, the terms of the Renewed Master Purchase Agreement and the Annual Caps are fair and reasonable, and in the interests of the Company and the Shareholders as a whole; (ii) the Purchase Transactions are in the ordinary and usual course of business of the Group; and (iii) the terms of the Renewed Master Purchase Agreement are on normal commercial terms. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant resolutions.

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## LETTER FROM THE BOARD

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Your attention is drawn to:

- (a) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 18 to 19 of this circular; and
- (b) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 20 to 41 of this circular.

### **11. HYBRID SGM**

The Company will conduct a hybrid SGM using Computershare e-Meeting System, which allows Shareholders to participate the SGM online in a convenient and efficient way from anywhere with an internet connection. Shareholders will be able to view the live video broadcast and participate in voting and submit questions in written form to the SGM via their mobile phones, tablet, or computers. The live broadcast option can also broaden the reach of the SGM to Shareholders who do not wish to attend physically due to concerns on attending large scale events under the current COVID-19 situation, or for other overseas Shareholders who are unable to attend in person.

Although Shareholders are welcome to attend the SGM physically in person if they so wish, the Company strongly recommends Shareholders to attend the SGM via the online option in view of the current development of COVID-19. The Company will also be undertaking the following precautionary measures to safeguard the health and well-being of Shareholders (or their proxies) who are attending the SGM in person, including temperature screening, requiring all participants to wear surgical face mask, plus safe distancing measures for queue management and seating at the meeting venue.

For online voting at the SGM, Shareholders can refer to our enclosed letter and the Online Meeting User Guide (by visiting the hyperlink or scanning the QR code as printed therein) for details. If you have any queries on the above, please contact the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, via their hotline at (852) 2862 8555 from 9:00 a.m. to 5:00 p.m. (Monday to Friday, excluding Hong Kong public holidays).

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## LETTER FROM THE BOARD

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### 12. HOW TO VOTE AT THE SGM

Shareholders who wish to attend the SGM and exercise their voting rights can be achieved in one of the following ways:

- (1) attend the SGM in person and vote via smartphones or designated mobile devices at the SGM venue; OR
- (2) attend the SGM via Computershare e-Meeting System which enables live streaming and interactive platform for Q&A and submit their voting online; OR
- (3) appoint Chairman of the SGM or other persons as your proxy to vote on your behalf.

Your proxy's authority and instruction will be revoked if you attend and vote in person at the SGM or via the Computershare e-Meeting system.

Non-registered holders whose shares of the Company are held in the Central Clearing and Settlement System through banks, brokers, custodians or Hong Kong Securities Clearing Company Limited may be able to attend the SGM, vote and submit questions online. In this regard, they should consult directly with their banks, brokers or custodians (as the case may be) for the necessary arrangements.

For corporate Shareholders who wish to attend the SGM and to vote online, please contact the Company's Hong Kong branch share registrar and transfer office at (852) 2862 8555 on or before 18 October 2021 for arrangement.

### 13. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information as set out in the appendices to this circular.

Yours faithfully,  
By Order of the Board  
**BOE Varitronix Limited**  
**Mr. Gao Wenbao**  
*Chairman*



**BOE VARITRONIX LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 710)**

30 September 2021

*To the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS  
REVISION OF ANNUAL CAP  
AND RENEWAL OF PURCHASE TRANSACTIONS**

We refer to the circular of the Company dated 30 September 2021 (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 requires otherwise.

We have been appointed to form the Independent Board Committee to advise you as to whether, in our opinion, (i) the Revised Cap, the terms of the Renewed Master Purchase Agreement and the Annual Caps are fair and reasonable; (ii) the Purchase Transactions are in the ordinary and usual course of business of the Group; (iii) the terms of the Renewed Master Purchase Agreement are on normal commercial terms; (iv) the Revised Cap, the Renewed Master Purchase Agreement and the Annual Caps are in the interests of the Company and the Shareholders as a whole; and (v) the Independent Shareholders should vote in favour of the ordinary resolutions to approve the Revised Cap, the Renewed Master Purchase Agreement and the Annual Caps at the SGM. Opus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in this regard. Details of their independent advice, together with the principal factors and reasons they have taken into consideration, are set out on pages 20 to 41 of the Circular.

Having considered the Revised Cap, the terms of the Renewed Master Purchase Agreement and the Annual Caps, and the advice of the Independent Financial Adviser, we are of the opinion that (i) the Revised Cap, the terms of the Renewed Master Purchase Agreement and the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned; (ii) the Purchase Transactions are in the ordinary and usual course of business of the Group; (iii) the terms of the Renewed Master Purchase Agreement are on normal commercial terms; and (iv) the Revised Cap, the Renewed Master Purchase Agreement and the

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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Annual Caps are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve them.

Yours faithfully,  
For and on behalf of the  
**Independent Board Committee**

Fung, Yuk Kan Peter

Chu, Howard Ho Hwa

Hou Ziqiang

*Independent non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Set out below is the text of a letter from Opus Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Revised Cap, the Renewed Master Purchase Agreement and the transactions contemplated thereunder (including the Annual Caps) for the purpose of inclusion in this circular.*



18th Floor, Fung House  
19-20 Connaught Road Central  
Central, Hong Kong

30 September 2021

*To: The Independent Board Committee and the Independent Shareholders of BOE Varitronix Limited*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS  
REVISION OF ANNUAL CAP  
AND RENEWAL OF PURCHASE TRANSACTIONS**

### **INTRODUCTION**

We refer to our appointment by the Company as Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Revised Cap, the Renewed Master Purchase Agreement and the transactions contemplated thereunder (including the Annual Caps), 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 30 September 2021 (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 requires otherwise.

As stated in the Letter from the Board, the Group has been carrying out the Purchase Transactions with the BOE Group. The first Master Purchase Agreement was entered into between the Company and BOE on 22 April 2016. Reference is made to the announcement of the Company dated 22 November 2018 as well as the circular of the Company dated 22 December 2018 in relation to the Purchase Transactions.

It is expected that the transaction amount under the Master Purchase Agreement for the year ending 31 December 2021 will be higher than the Existing Annual Cap of HK\$3,362 million. On 6 September 2021, the Board has resolved to revise the Existing Annual Cap for the year ending 31 December 2021.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Master Purchase Agreement will expire on 31 December 2021. On 6 September 2021 (after trading hours), the Company and BOE entered into the Renewed Master Purchase Agreement, subject to the terms and conditions therein, to extend the terms of the Master Purchase Agreement to 31 December 2024.

BOE(HK), a wholly-owned subsidiary of BOE, is the substantial shareholder of the Company holding approximately 54.34% of the issued share capital of the Company as at the Latest Practicable Date. BOE is an associate of BOE(HK) and is thus a connected person of the Company under the Listing Rules. As such, the Purchase Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Based on the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules, the Revised Cap, the Renewed Master Purchase Agreement and the transactions contemplated thereunder (including the Annual Caps) are subject to the reporting, announcement, circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, Mr. Gao Wenbao (“**Mr. Gao**”), an executive Director, held approximately 1,860,700 A shares of BOE, Mr. Su Ning (“**Mr. Su**”), an executive Director, held approximately 150,000 A shares of BOE, Mr. Shao Xibin (“**Mr. Shao**”), a non-executive Director, held approximately 787,600 A shares of BOE, Mr. Jin Hao (“**Mr. Jin**”), a non-executive Director, held approximately 628,800 A Shares of BOE, and Ms. Zhang Shujun (“**Ms. Zhang**”), a non-executive Director, held approximately 153,700 A shares of BOE. In addition, Mr. Gao is the executive director, a member of the executive committee and the executive vice president of BOE, and the chief executive officer of Display Business Group of BOE. Mr. Su is a general manager of the application business department of Beijing BOE Display Technology Co., Ltd. (a subsidiary of BOE). Mr. Su has concurrently served as a general manager of the automotive SBU of BOE and a vice president of BOE. Mr. Shao is the chief new product officer of Display Business Group of BOE. Mr. Jin is a head of the production and sales management centre of Display Business Group of BOE and Display Device of BOE. Ms. Zhang is a vice head of financial operation management of Display Business Group of BOE and a financial controller of Nanjing CEC Panda FPD Technology Co., Ltd., a subsidiary of BOE. In view of the above, Mr. Gao, Mr. Su, Mr. Shao, Mr. Jin and Ms. Zhang might be considered having interests in the Revised Cap, the Renewed Master Purchase Agreement and the transactions contemplated thereunder (including the Annual Caps), and thus have abstained from voting on the relevant Board resolutions. Save for the abovementioned Directors, no other Directors were required to abstain from voting on the relevant Board resolutions.

In respect of the voting at the SGM, any Shareholders with a material interest in the Revised Cap, the Renewed Master Purchase Agreement and the transactions contemplated thereunder (including the Annual Caps) shall abstain from voting on the relevant resolutions at the SGM. BOE(HK), a substantial shareholder of the Company and a subsidiary of BOE, having material interest in the Revised Cap, the Renewed Master Purchase Agreement and the transactions contemplated thereunder (including the Annual Caps), is required to abstain from voting at the SGM. As at the Latest Practicable Date, BOE(HK) held 400,000,000 Shares, representing approximately 54.34% of the total issued share capital of the Company. Save for BOE(HK), as at the Latest Practicable Date, to the best knowledge of the Directors, no other Shareholders would be required to abstain from voting on the relevant resolutions at the SGM.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee of the Company comprising Mr. Fung, Yuk Kan Peter, Mr. Chu, Howard Ho Hwa and Mr. Hou Ziqiang, all being independent non-executive Directors, has been established to consider and make a recommendation to the Independent Shareholders on: (i) whether the Revised Cap, the terms of the Renewed Master Purchase Agreement and the Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole; (ii) whether the Purchase Transactions are in the ordinary and usual course of business of the Group; (iii) whether the terms of the Renewed Master Purchase Agreement are on normal commercial terms; and (iv) how the Independent Shareholders should vote in respect to the relevant resolutions to be proposed at the SGM to approve the Revised Cap and the Renewed Master Purchase Agreement and the transactions contemplated thereunder (including the Annual Caps). Our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in the same respect has been approved by the Independent Board Committee pursuant to the Rule 13.84 of the Listing Rules.

### OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with, or interest in, the Group, the BOE Group or other parties that could reasonably be regarded as relevant to our independence. During the two years immediately prior to this letter, we have not acted in the capacity as an independent financial adviser, financial adviser or in any other capacity to the Company. Apart from normal independent financial advisory fee paid or payable to us in connection with the current appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Group, the BOE Group or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider ourselves independent pursuant to Rule 13.84 of the Listing Rules.

### BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, amongst other things:

- (i) the Company's interim report (the "**2021 Interim Report**") for the six months ended 30 June ("**1H**") 2021;
- (ii) the Company's annual reports for the two years ended 31 December ("**FY**") 2019 (the "**2019 Annual Report**") and 2020 (the "**2020 Annual Report**");
- (iii) the Master Purchase Agreement;
- (iv) the Renewed Master Purchase Agreement; and
- (v) other information as set out in the Circular.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have relied on the truth, accuracy and completeness of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Company, the Directors and the management of the Group (collectively, the “**Management**”). We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the SGM.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided by the Management, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

The Directors jointly and severally accept full responsibility for the accuracy of the information disclosed and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts not contained in this letter, the omission of which would make any statement herein misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration of the terms of the Revised Cap, the Renewed Master Purchase Agreement and the transactions contemplated thereunder (including the Annual Caps), and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Revised Cap, the Renewed Master Purchase Agreement and the transactions contemplated thereunder (including the Annual Caps), we have taken into consideration the following principal factors and reasons:

#### 1. Background information of the Group

The Group was established in 1978 and the Shares were listed on the Main Board of the Stock Exchange in 1991. The Group is principally engaged in the automotive and industrial display business and has monochrome display manufacturing capacity and TFT module assembly capacity. Since its incorporation, the Company has been combining scientific and technological research, innovative product design, flexible product specifications and efficient manufacturing for many applications, including automotive components, industrial and consumer products, also providing complete display solutions for its customers. In addition to supplying standard products, the Group also provides tailor-made LCDs and modules for the specific needs of its customers. The Group manages its business as a single unit and, accordingly, the design, manufacture and sale of LCDs and related products is the only reporting segment and virtually all of the revenue and operating profits is derived from this business segment. With over 15 years of solid experience in serving customers in the automotive industry, the Group has accumulated extensive experience and built sound reputation in manufacturing products according to customers' specific requirements, specific modular assembly technologies and stringent product quality control. Furthermore, the Group has established a stable customer network in automotive industry after over 15 years of serving customers in this industry and has its own marketing team in the PRC, Hong Kong, Asia, Europe and the United States which has been set up for over 10 years.

The following is a summary of the financial results of the Group for each of FY2019 and FY2020 and 1H2021, as extracted from the 2020 Annual Report and the 2021 Interim Report:

**Table 1: Highlights of the financial results of the Group**

	Unaudited		Audited	
	1H2021 (HK\$'000)	1H2020 (HK\$'000)	FY2020 (HK\$'000)	FY2019 (HK\$'000)
Revenue	3,200,005	1,898,299	4,526,914	3,573,978
Profit from operations	95,569	19,936	70,443	29,440
Profit before tax	94,862	18,784	68,015	28,350
Profit for the period/year				
attributable to the Shareholders	95,105	18,182	68,639	25,020
Profit margin (%)	3.0	1.0	1.5	0.7

Sources: the 2021 Interim Report and the 2020 Annual Report

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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During FY2020, the Group recorded revenue of approximately HK\$4,527 million, representing an increase of approximately 27% from approximately HK\$3,574 million for FY2019. Such increase in revenue was mainly derived from the increase in the automotive display business by approximately 33%, from the revenue of approximately HK\$2,589 million recorded in FY2019 to a revenue of approximately HK\$3,450 million. This business represented approximately 76% of the Group's overall revenue for FY2020.

The Group recorded profit attributable to the Shareholders of approximately HK\$69 million for FY2020, representing a significant increase of approximately 174% from HK\$25 million for FY2019. The significant increase in profit attributable to the Shareholders was mainly attributable to the increase of gross profit contributed by the increase in revenue, and the decrease in operating expenses as a result of cost-optimising and efficiency management actions implemented by the Group.

The Group recorded revenue of approximately HK\$3,200 million for 1H2021, representing an increase of approximately 69% from approximately HK\$1,898 million for 1H2020. The profit attributable to the Shareholders was approximately HK\$95 million, representing an increase of approximately 423%, when compared with HK\$18 million recorded during 1H2020. The significant growth in revenue was mainly attributable to: (i) the recovery of the Group's business from the impact of the COVID-19 pandemic (the "**Pandemic**") and the automotive display business continued to grow notably from the second half ("**2H**") of FY2020 and throughout 1H2021; (ii) the major growth engine was from the PRC in which the automotive market has experienced a fast recovery from the impact of the Pandemic; and (iii) the sale of TFT modules and TP display modules which contributed by commencement of mass production of new projects being awarded in the prior years. The significant increase in the profit attributable to the Shareholders during 1H2021 was mainly derived from: (i) the increase in gross profit contributed by the increase in revenue during the period; (ii) the Group's profitability has been improving and achieving economies of scales as the sales increased; (iii) the staff costs and other operating expenses have increased when comparing to the same period in 1H2020 as the base of comparison was low during the Pandemic when the business activities were reduced, notwithstanding that such increase was corresponding to the increase in sales and business activities during the period; and (iv) the Group has constantly been carrying out efficiency management measures with an aim to achieve further economies of scales.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The following is a summary of the financial positions of the Group as at 30 June 2021 and as at 31 December 2020, as extracted from the 2021 Interim Report:

**Table 2: Highlights of the financial positions of the Group**

	<b>Unaudited As at 30 June 2021 (HK\$'000)</b>	<b>Audited As at 31 December 2020 (HK\$'000)</b>
Non-current assets	578,783	522,832
Current assets	3,656,928	3,307,006
Non-current liabilities	22,889	25,452
Current liabilities	1,385,108	1,037,232
Net asset value (the “NAV”) attributable to the Shareholders	2,763,890	2,709,936

*Source: the 2021 Interim Report*

As at 30 June 2021, the total assets and liabilities were approximately HK\$4,236 million and HK\$1,408 million respectively, as compared to the total assets and liabilities of approximately HK\$3,830 million and approximately HK\$1,063 million as at 31 December 2020 respectively. The Group recorded a slight increase in the NAV attributable to the Shareholders as at June 2021 for approximately HK\$54 million or 2% compared that as at 31 December 2020.

## **2. Reasons for and benefits for the continuing connected transactions**

As disclosed in the Letter from the Board, BOE, a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 00725 for its A shares and stock code: 200725 for its B shares), together with its subsidiaries supply/provide semiconductor display technologies, products and services. The BOE Group's products are widely used in a broad spectrum of applications such as mobile phones, tablets, notebooks, monitors, televisions, vehicle displays and digital information displays.

The Group is the sole platform of automotive display module and system business in the BOE Group. Since 2016, the Group has from time to time purchased from the BOE Group, TFT panels, TFT modules and other products including, but not limited to, raw materials for the manufacturing of its TFT modules. Leveraging the BOE Group's competitive edges, such as panel research and automated manufacturing process, the BOE Group has supplied the Group with TFT panels and modules with customised design and comprehensive quality support at prices considered to be fair and reasonable by the Company. With the stable supply of TFT panels and provision of technical support by the BOE Group, together with the availability of the BOE's full spectrum of state-of-the-art display products, the Group's TFT business expanded rapidly, especially in the PRC, even though the automotive display market faced keen

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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competition. Total revenue of the Group increased from approximately HK\$2,879 million in FY2017 to approximately HK\$4,527 million in FY2020. In 2020, the Group's TFT module business and TP display modules business contributed over 75% of the Group's revenue. For 1H2021, the Group recorded revenue of approximately HK\$3,200 million, representing an increase of approximately 69% when compared with approximately HK\$1,898 million recorded in 1H2020. The revenue from the sale of TFT modules and TP display modules accounted for approximately 81% of the Group's total revenue for 1H2021. The profit attributable to the Shareholders for 1H2021 increased by approximately HK\$77 million, or approximately 423% as compared to 1H2020, while the profit attributable to shareholders ratio, being the profit attributable to the Shareholder over the Group's revenue, increase to 3% for 1H2021 as compared to 1% in 1H2020. BOE together with the Group, being the BOE Group's sole platform of automotive display module and system business, has maintained the leading position in the global automotive display market.

We have conducted our own research on the automotive display market industry. Based on a report summary titled "Automotive Smart Display Market Size, Share & Trends Analysis Report" issued by Grand View Research Inc. ("**Grand View**") (being a market research and consulting company headquartered in San Francisco, which provides syndicated research reports, customised research reports and consulting services with its database used by academic institutions around the world and Fortune 500 companies) in March 2021, the global automotive smart display market size was valued at approximately US\$11.14 billion in 2021 and is expected to expand at a compound annual growth rate ("**CAGR**") of approximately 6.2% from 2021 to 2028. The increasing demand for advanced functions, including navigation, multimedia systems, driver assistance, connected car features and the improving driver-to-vehicle communication is anticipated to boost the use of the smart displays in the automotive sector. The greater than 10 inches smart display segment is projected by Grand View to register the fastest CAGR of approximately 9.2% from 2021 to 2028. This segment is widely applied to electric vehicles, premium cars and semi-autonomous and autonomous cars. Against this background, the Group, while maintaining its leading position in the global automotive display market in terms of display area and delivery quantities, has been particularly focused in larger-sized multiple display modules and TP modules such as those with sizes larger than 8 inches.

The Group expects the momentum of growth will continue throughout 2H2021 based on its sales order status of mass production projects and the growth engine will mainly come from the TFT and TP modules orders of the PRC market. The Group will continue to increase market share through the establishment of close relationship with customers and by deepening its cooperation with strategic partners. In view of the positive outlook of the automotive display business and to capture further market share, the Group is considering to expand its TFT and TP display module manufacturing facilities in the PRC through joint venture cooperation with the BOE Group (the "**JV Project**"). For further details of the JV Project, please refer to the announcement of the Company dated 20 August 2021.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As stated in the 2021 Interim Report, the market conditions and demand in the PRC automotive market have swiftly recovered from the Pandemic and the sales orders began to surge in 2H2020. According to the website of 中國汽車工業協會 (China Association of Automobile Manufacturers) (<http://www.caam.org.cn/index.html>), a registered association under 中華人民共和國民政部 (Ministry of Civil Affairs of the PRC) since 1991, the total number of cars sold in the PRC slumped in February and March 2020 as a result of the Pandemic, by approximately 79.1% and 43.3% when compared with their corresponding month in 2019, respectively. The Pandemic condition in the PRC has been improving since the second quarter of 2020. For 2020, the total number of cars sold in the PRC maintained a similar level to that of 2019, and such total sales quantity further increased by approximately 25.7% in the first half of 2021 comparing to the second half of 2020. With the Group's quick reaction to the increasing demand from the PRC customers, the Group recorded a growth of approximately 54.5% in revenue from the PRC market (mainly consisted of revenue from the automotive display business) during 2H2020 and doubled the relevant revenue in 1H2021 when compared with their respective corresponding period in the previous year. The overall average selling price of the PRC market has been increasing since 2H2020 due to the shift of product mix to more contribution from TP module products and large-sized TFT with higher selling price. As the business of the Group continues to grow and the prices of the products under the Master Purchase Agreement continue to increase, it is expected that the transaction amount under the Master Purchase Agreement for FY2021 will be higher than the Existing Annual Cap of HK\$3,362 million. Accordingly, on 6 September 2021, the Board has resolved to revise the Existing Annual Cap for FY2021. In view of the expiration of the Master Purchase Agreement on 31 December 2021, the Company entered into the Renewed Master Purchase Agreement on 6 September 2021 (after trading hours), subject to the Independent Shareholders' approval, to extend the terms of the Master Purchase Agreement to 31 December 2024.

Based on the above, in particular, (i) the solid growth expected of the smart display in the automotive sector; and (ii) the strong momentum of growth will continue throughout 2H2021 based on its sales order status of mass production projects and the growth engine will mainly come from the TFT and TP modules orders of the PRC, we agree with the Board that the Existing Annual Cap of HK\$3,362 million will not be sufficient for FY2021 and a revision should be in order. It is timely and appropriate to renew the Master Purchase Agreement to extend the term of the Master Purchase Agreement up to 31 December 2024. We are also of the view that the Purchase Transactions are in the ordinary and usual course of business of the Group.

### **3. Revision of the Existing Annual Cap**

As stated in the Letter from the Board, as the business of the Group continues to grow and the prices of the products under the Master Purchase Agreement continue to increase, the Company proposed to revise the Existing Annual Cap for FY2021 from HK\$3,362 million to HK\$5,000 million. Save for the revision of the Existing Annual Cap for FY2021, all other terms and conditions under the Master Purchase Agreement remain the same. The Revised Cap is subject to the approval by the Independent Shareholders at the SGM.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 4. Principal terms of the Renewed Master Purchase Agreement

With reference to the Letter from the Board, the principal terms of the Renewed Master Purchase Agreement are as follow:

- Date : 6 September 2021
- Parties : (i) The Company  
(ii) BOE
- Subject : Subject to the terms and conditions of the Renewed Master Purchase Agreement, the Group may from time to time purchase TFT panels, TFT modules and other products including, but not limited to, raw materials for manufacturing TFT modules from the BOE Group on a non-exclusive basis. For the avoidance of doubt, the Group has independent access to sources of raw materials for production other than the BOE Group, has maintained business discussions with independent third party suppliers and has purchased components from these suppliers from time to time. The Group is not contractually bound to purchase TFT panels, TFT modules and other products from the BOE Group and is free to purchase TFT panels, TFT modules and other products from any other third party supplier during the term of the Renewed Master Purchase Agreement.
- The Group may enter into separate and definitive agreements from time to time with the BOE Group to provide, among others, the exact quantity, specifications and quality requirement of the TFT panels, TFT modules and other products, place and date of delivery, price and payment terms, pursuant to the terms of the Renewed Master Purchase Agreement.
- Term : Subject to approval of the Independent Shareholders, the Renewed Master Purchase Agreement will become effective from 1 January 2022 up to 31 December 2024. The Renewed Master Purchase Agreement will continue to be effective up to 31 December 2024 provided that BOE and/or its subsidiaries hold(s) at least 30% of the issued shares of the Company (i.e. if BOE and/or its subsidiaries hold(s) less than 30% of the issued shares of the Company, the Renewed Master Purchase Agreement will be terminated).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Pricing policy : With regard to the standardised TFT panels, TFT modules and other products, the BOE Group shall offer the most favourable selling price to the Group which shall represent a discount to the standard price of the BOE Group and such discount shall not be less than any discount offered by the BOE Group to any other customers of the BOE Group. In determining the amount of discount, the BOE Group takes into account different factors such as product types and the material supply and demand which vary from time to time when each transaction is conducted.

In assessing the discounts offered by the BOE Group, the Group will enquire the BOE Group to provide the discounts offered to other customers for the same standardised TFT panels, TFT modules and other products for the same standardised TFT panels, TFT modules and other products for the past three months (if any) to ensure that such discount shall not be less than any discount offered by the BOE Group to any other customers of the BOE Group. In assessing the prices offered by the BOE Group, the purchasing department of the Group will invite on a best effort basis quotations from at least two independent suppliers for the same standardised TFT panels, TFT modules and other products and request the BOE Group to provide confirmation with any available transaction information between the BOE Group and its other customers for the past three months to ensure that the discount offered to the Group for the same standardised TFT panels, TFT modules and other products is not less than that offered to other customers. Furthermore, the Group will only agree to make the purchase from the BOE Group if the ultimate sale of the related TFT modules is profitable. The Company considers that such pricing basis is in line with market practice, fair and reasonable, and on normal commercial terms.

With regard to the customised TFT panels, TFT modules and other products, the BOE Group shall offer to the Group a selling price which shall not be higher than the selling price offered to the BOE Group's other customers. The price is determined with reference to factors such as the complexity of the manufacturing process and the supply and demand situation of the relevant materials which may vary from time to time.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In assessing the prices offered by the BOE Group, the purchasing department of the Group will invite on a best effort basis quotations from at least two independent suppliers for orders of customised TFT panels, TFT modules and other products based on substantially the same requirements and/or specifications and request the BOE Group to provide confirmation with any available transaction information between the BOE Group and its other customers for the past three months to ensure that the selling price offered to the Group for customised TFT panels, TFT modules and other products with similar requirements and specifications is not higher than that offered to other customers. Furthermore, the Group will only agree to make the purchase from the BOE Group if the ultimate sale of the related TFT modules is profitable. The Company considers that such pricing basis is in line with market practice, fair and reasonable, and on normal commercial terms.

Since the Renewed Master Purchase Agreement covers many different products, and the specifications, market demand and supply of the said products or their required production materials may change from time to time, the Company considers that it is not practicable or in the best interests of the Company and its Shareholders to pre-determine any specific range of unit price and discount rate.

Payment : The Group shall settle the purchase price to the BOE Group within 60 days of delivery.

### *Review of the principal terms*

As set out above, the Group's purchasing department will, on a best effort basis, obtain quotations from at least two independent suppliers for orders with similar requirements and/or specifications before entering into the Purchase Transactions. The purchasing department will then review a number of factors including, among other things, price, delivery time, payment terms, quality standards, and technical capabilities from the quotations (including quotations from the BOE Group) (the "**Independent Quotation Evaluation Mechanism**"). We have obtained from the Company, by way of random sampling, three sets of price quotations offered by the BOE Group and compared against three sets of price quotations from two independent third party suppliers for purchasing standardised or customised TFT panels, TFT modules and other products based on substantially the same requirements and/or specifications during FY2019, FY2020 and 1H2021 (the "**Review Period**") and noted that the relevant price quotations offered by the BOE Group were lower than the corresponding price quotations from the two independent third party suppliers.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Also as set out above the purchasing department of the Group will request the BOE Group to provide confirmation with any available transaction information between the BOE Group and its other customers for the past three months to ensure that (i) the discount offered to the Group for the same standardised TFT panels, TFT modules and other products is not less than that offered to other customers; and (ii) the selling price offered to the Group for customised TFT panels, TFT modules and other products with similar requirements and specifications is not higher than that offered to other customers (the “**Price Alignment Mechanism**”). We have obtained, by way of random sampling, three samples of definitive agreements entered into between the Group and the BOE Group during the Review Period, we noted that a relevant clause is in place in relation to the enforceability of the Price Alignment Mechanism, the BOE Group can only sell the customised products to any other third party customers under the circumstances that, among others, the BOE Group is required to obtain a written approval from the Group before selling to its other customers and the selling price of which are subjected to negotiation and mutually agreed by both BOE Group and the Group. However, we note that, during the Review Period, for those standardised or customised TFT panels, TFT modules and other products which the BOE Group supplied to the Group, it had not supplied the same to other customers. Therefore, the Group had yet been able to apply the Price Alignment Mechanism during the Review Period.

Based on the above, in particular, (i) the Group’s best effort under the Independent Quotation Evaluation Mechanism to obtain quotations from at least two independent suppliers for orders with similar requirements and/or specifications before entering into the Purchase Transactions; and (ii) the existence of the Price Alignment Mechanism to ensure that the discount/price offered by the BOE Group to the Group align with those offered by the BOE Group to other customers, we are of the view that the abovementioned pricing mechanisms are sufficient to safeguard the Group’s interests under the Renewed Master Purchase Agreement.

We also note from the relevant price quotations that the payment terms offered by the independent third party suppliers were mostly shorter than 60 days of delivery, which is the payment terms offered by the BOE Group for the Purchase Transactions. Based on the above observation, the payment terms offered by the BOE Group for the Purchase Transactions are no less favourable to the Group than those offered by the independent third party suppliers.

Pursuant to the terms and conditions of the Renewed Master Purchase Agreement, the Group may from time to time purchase TFT panels, TFT modules and other products from the BOE Group on a non-exclusive basis, therefore the Group has the flexibility to choose purchasing TFT panels, TFT modules and other products from any other independent third party suppliers. We have made enquiry to the Management in relation to the BOE Group being the Group’s major supplier of TFT panels, TFT modules and other products. We understand from the Management that the Company has access to alternative independent third party suppliers and has maintained business discussions with these suppliers from time to time and historical purchases of components have been made from these suppliers from time to time. However, as advised by the Management, unlike other types of components, the Group require a reliable and sizeable supplier, which is not a competitor (or an affiliate of a competitor) of the Group or the BOE Group, and which is able to provide a stable and high quality supply of

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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TFT panels, TFT modules and other products to the Group. On one hand, buying TFT panels, TFT modules and other products from other sizeable suppliers may not be economically viable as many are in a competitive position with the Group or the BOE Group. On the other hand, buying TFT panels, TFT modules and other products from a number of smaller independent third party suppliers, although possible, may turn out to be more costly and inefficient to the Group in comparison of purchasing from the BOE Group. As the BOE Group is one of the dominant market suppliers of TFT panels, TFT modules and other products which can offer reliable fulfilment of supplies for the Group to meet the continuous production needs of the Group in sizeable supply quantities, competitive pricing and high-quality standards. Furthermore, given the BOE Group is the controlling shareholder of the Company and the BOE Group recognises the Group's unique position as the sole platform of automotive display module and system business in the BOE Group, it does not have the kind of competitive position the Group has with other upstream suppliers. Based on the above, we are of the view that it is more cost efficient and beneficial for the Group to secure a stable and sufficient supply of high quality TFT panels, TFT modules and other products from the BOE Group.

Having considered that (i) the BOE Group shall offer the most favourable selling price to the Group which shall represent a discount to the standard price of the BOE Group and such discount shall not be less than any discount offered by the BOE Group to any other customers of the BOE Group; (ii) the fact that the Group will only enter into the Purchase Transactions with the BOE Group if the major terms offered by the BOE Group are no less favourable than the terms available to the Group from independent suppliers and the ultimate sale of the related TFT modules is profitable; (iii) the gather of price quotations by the Group's purchasing department from both the BOE Group and the independent third party suppliers under the Independent Quotation Evaluation Mechanism; (iv) the Group will request, under the Price Alignment Mechanism, the BOE Group to provide confirmation with any available transaction information between the BOE Group and its other customers for the past three months to ensure that the discount/price offered to the Group align with those offered to other customers; and (v) the Group's internal control procedures to be discussed below, we consider the terms of the Supply Agreement to be on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

### **5. Internal control procedures and review of the Purchase Transactions**

The Group has established an internal control system in respect of the Purchase Transactions. Details of the internal control system are set out in the section headed "6. Internal Control" under the Letter from the Board.

With reference to the Letter from the Board, in assessing the prices offered by the BOE Group, the purchasing department of the Group will invite on a best effort basis quotations from at least two independent suppliers for orders with similar requirements and/or specifications, and review, among other things, the price, the delivery time, the payment terms, quality standards and technical capabilities to determine if the major terms offered by the BOE Group are fair and reasonable and no less favourable than the terms available to the Group from independent suppliers. In assessing the discount offered by the BOE Group, the Group will

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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enquire the BOE Group to provide the discounts offered to other customers for the same standardised TFT panels, TFT modules and other products for the past three months (if any) to ensure that such discount shall not be less than any discount offered by the BOE Group to any other customers of the BOE Group. If the purchasing department of the Group considers that the major terms of the Purchase Transactions are on normal commercial terms or better, it shall report to the chief executive officer of the Company who will review and approve such major terms.

The senior management of the purchasing department and the finance department of the Group will conduct regular checks on a monthly basis to review and assess whether the Purchase Transactions are conducted in accordance with the terms of the Master Purchase Agreement and the Renewed Master Purchase Agreement. Moreover, the internal audit department will semi-annually review the Group's internal control procedures to ensure that they remain effective and adequate. The internal audit department of the Group will report semi-annually to the independent non-executive Directors during audit committee meetings.

The independent non-executive Directors will review the Purchase Transactions semi-annually to check and confirm whether such transactions are conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better, in accordance with the Master Purchase Agreement and the Renewed Master Purchase Agreement governing them, on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's external auditors will review the Purchase Transactions annually to check and confirm, among others, whether the pricing terms have been adhered to and whether the relevant caps have been exceeded.

With reference to the 2019 Annual Report and the 2020 Annual Report, the Company had engaged KPMG, the independent auditors of the Company to report on the Group's continuing connected transactions in relation to the Master Purchase Agreement (the "**Historical Transactions**") in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors of the Company have advised nothing has come to their attention that causes them to believe that:

- (i) have not been approved by the Board;
- (ii) were not entered into, in all material respects, in accordance with the terms of the relevant agreements governing the Purchase Transactions; and
- (iii) the relevant cap amounts have been exceeded during FY2019 and FY2020.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have also obtained and reviewed the independent auditor's assurance reports on the Historical Transactions, we also noted that the relevant cap amounts have not been exceeded during FY2019 and FY2020.

Based on the above, we are of the view that the implementation of the above internal control procedures can ensure that the pricing and terms of the Purchase Transactions can be on normal commercial terms, fair and reasonable, and in particular, no less favourable to the Group than those offered by the independent third party suppliers and that the Purchase Transactions are conducted as agreed in the Renewed Master Purchase Agreements and in compliance with Chapter 14A of the Listing Rules.

### 6. Historical actual transactions amounts

As stated in the Letter from the Board, the table below sets out: (i) the historical actual transaction amounts of the Purchase Transactions for FY2019 and FY2020 and for the eight months ("8M") ended 31 August 2021; (ii) the existing annual caps of the Purchase Transactions for each of FY2019, FY2020 and FY2021; and (iii) the respective utilisation rates of the existing annual caps of the Purchase Transactions for each of FY2019, FY2020 and FY2021.

**Table 3: The existing annual caps and the historical actual transaction amounts of the Purchase Transactions for FY2019, FY2020 and FY2021**

<i>(in HK\$'000)</i>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>
Existing annual caps of the Purchase Transactions	1,621,000	2,431,000	3,362,000
Historical actual transaction amounts of the Purchase Transactions	1,367,507	2,346,637	2,700,228 (up to 8M2021)
Utilisation rates	84%	97%	80% (up to 8M2021)

As illustrated above, the historical actual transaction amounts of the Purchase Transactions increased significantly since the renewal of the Master Purchase Agreement (details of which can be referred to the announcement of the Company dated 22 November 2018), the historical actual transaction amount for FY2020 recorded an increase of approximately 72% from FY2019 and the historical actual transaction amount for 8M2021 has already exceeded the historical actual transaction amount for the full year of FY2020. This demonstrated the significant growth in the demand for the purchase of TFT panels, TFT modules and other products for manufacturing TFT modules from the BOE Group as a result of the continuous business growth of the Group in recent years.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The utilisation rates for the existing annual caps for FY2019 and FY2020 were approximately 84% and 97% respectively. The historical actual transaction amount of the Purchase Transactions for 8M2021 amounted to approximately HK\$2,700 million, representing approximately 80% of the Existing Annual Cap of HK\$3,362 million for FY2021. Should the historical actual transaction amount of the Purchase Transactions for 8M2021 be annualised, the projected transaction amount of the Purchase Transactions for FY2021 would amount to approximately HK\$4,050 million, which would significantly exceed the Existing Annual Cap of HK\$3,362 million for FY2021 by approximately 20%. Once again, this illustrates the urgent need to renew the Existing Annual Cap.

### 7. The Revised Cap and the Annuals Caps

As further disclosed in the Letter from the Board, the table below sets out the Revised Cap for FY2021 and the Annual Caps for each of FY2022, FY2023 and FY2024.

**Table 4: The Revised Cap and the Annual Caps for FY2021, FY2022, FY2023 and FY2024**

<i>(in HK\$'000)</i>	<b>The Revised Cap</b>		<b>The Annual Caps</b>	
	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>	<b>FY2024</b>
Purchase Transactions	5,000,000	6,800,000	6,000,000	6,800,000

As stated in the Letter from the Board, the Revised Cap for FY2021 is determined after taking into account, among other things,

- (i) the estimated sales based on orders received for TFT/TP modules and other products in which the terms including the estimated quantity, product specifications and planned delivery schedule have already been agreed with and accepted by the customers of the Group;
- (ii) the estimated amount of the Purchase Transactions for new orders for TFT/TP modules and other products in the rest of 2021 which is estimated with reference to the actual orders received by the Group; and
- (iii) an additional buffer of approximately 5%.

The Annual Caps for each of FY2022, FY2023 and FY2024 are determined after taking into account, among other things,

- (i) the existing orders of the Group for TFT/TP modules and other products in which the terms including the estimated quantity, product specifications and planned delivery schedule have already been agreed with and accepted by the customers of the Group;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (ii) the estimated amount of the Purchase Transactions for new orders for TFT/TP modules and other products in each of FY2022, FY2023 and FY2024 which is estimated with reference to the actual orders received by the Group;
- (iii) the estimated increase in demand and prices with the shift in product mix with higher selling price of products under the Renewed Master Purchase Agreement in FY2022, FY2023 and FY2024;
- (iv) the estimated decrease in the amount of Purchase Transactions for TFT/TP modules from the BOE Group since FY2023 following the Group's plan to expand its TFT and TP display module manufacturing facilities in the PRC through the JV Project with the BOE Group, which partly offsets the effect of the estimated increase in demand and prices of products set out in item (iii) above; and
- (v) an additional buffer of approximately 5%.

The Purchase Transactions will be conducted pursuant to the Master Purchase Agreement or the Renewed Master Purchase Agreement, and will be subject to compliance with the Revised Cap for FY2021 and the Annual Caps for each of FY2022, FY2023 and FY2024 as mentioned in the table above.

With reference to the whitewash circular of the Company dated 22 March 2016, the Group is the sole platform of automotive display module and system business within the BOE Group and the BOE Group has undertaken to supply the Group panel products with priority at the most favourable market price, provided that BOE or its affiliates holds not less than 30% of the issued shares of the Company. In order to maintain the growth of the principal business of the Company, the Management considers that the favourable terms offered by the BOE Group under the Renewed Master Purchase Agreement are essential for the Group to enhance its competitiveness. As abovementioned in table 3 above, the Purchase Transactions by the Group from the BOE Group amounted to approximately HK\$1,368 million, HK\$2,347 million and HK\$2,700 million in FY2019, FY2020 and 8M2021 respectively. The historical increasing trend of the Purchase Transactions was largely driven by the increase in the Group's revenue as set out under the section headed "1. Background information of the Group" above.

### *Sales and purchase amounts estimation*

For FY2022, FY2023 and FY2024, the Group will mainly purchase TFT panels, TFT modules and other products including, but not limited to, raw materials for manufacturing TFT modules from the BOE Group on a non-exclusive basis. In assessing the reasonableness of the Revised Cap and Annual Caps, we have discussed with the Management on the basis and underlying assumptions for the purpose of setting the Revised Cap and the Annual Caps. We understand from the Management that they have considered, among other things, the Group's estimated sales amount of TFT/TP modules, including (i) estimated sales based on sale of TFT/TP modules to existing customers; (ii) estimated sales based on orders received for

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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TFT/TP modules in FY2019, FY2020 and 1H2021; and (iii) estimated sales based on new orders for TFT/TP modules to be received in FY2022 and FY2023 which is estimated with reference to the orders for TFT/TP modules received for 1H2021 and the estimated orders to be received for 2H2021.

We have obtained and reviewed a research report dated April 2021 published by Omdia (being an independent consultancy firm headquartered in London, specialising in global coverage of the telecommunications, media and technology sectors) commissioned by the Company regarding the automotive display market, in which the global sale of automotive TFT modules is expected to increase in the coming few years and the figures of which are in line with the research of Grand View. As disclosed in the 2021 Interim Report, the overall selling price of the PRC market has been increasing due to the shift of product mix to more contribution from TP module products and large-sized TFT with higher selling price. It is also expected that more marketing activities will be carried out by the Group to expand the Group's market share for TFT/TP modules in the coming few years. Taking into account the above, it is expected that more new projects will be carried out by the Group in each of 2H2021, FY2022, FY2023 and FY2024. We understand from the Management that the development cycle of the Company's automotive display products is mainly divided into two stages: (i) the project award and sample development stage which takes around 1.5 to 2.5 years; and (ii) the mass production stage which takes around 3 to 5 years or more. Because of such development cycle, for the orders received in FY2019, FY2020 and 1H2021, the mass production will mainly start in or after FY2021. Likewise, for new orders to be received in FY2022 and FY2023, the mass production is expected to start in or after FY2023 and FY2024 respectively. Considering a growing number of new projects are expected in each of the coming few years and the development timespan of the Company's automotive display products ranges from 1.5 to 2.5 years in general, we concur with the Management that it is reasonable to estimate an increasing trend in the sales amount of TFT modules in the coming few years.

### *Caps Computation*

We have obtained and reviewed from the Management computation worksheets for the Revised Cap and the Annual Caps (the "**Caps Computation**") including the project schedule (the "**Project Schedule**") which is based on the projects secured during FY2019, FY2020 and 1H2021. We note that the Project Schedule has stated the name of each customer, the date of the project being awarded, the product specifications, the ordering quantity of each project, the expected lifetime of the project and the planned delivery schedule that have already been agreed with and accepted by the customers. For the amounts of estimated sales from new orders to be received for the remaining period of each of FY2021, FY2022, FY2023 which is estimated with reference to the orders received for 1H2021 and the estimated orders to be received in 2H2021, we understand from the Management that they have estimated such amount after taking into account: (i) potential purchase orders currently under negotiation with new customers; and (ii) the estimated increase in sales and marketing activities in the coming years. Considering that: (i) the estimated sales based on new orders to be received in FY2022 and FY2023 which is estimated with reference to the orders received for 1H2021; and (ii) based on our discussion with the Management and as shown in the Project Schedule, it is



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estimated that the Group's sales amount of TFT/TP modules during FY2022, FY2023 and FY2024 will increase on a yearly basis by approximately 32.4%, 36.2% and 45.2% respectively, the historical growth rates of the actual sales amounts of TFT/TP modules were approximately 46.9% and 54.4% in FY2019 and FY2020 respectively, which are relatively higher than the estimated growth rates of the estimated sales amount of TFT/TP modules in FY2022, FY2023 and FY2024, therefore, we are of the view that the Company has adopted a prudent approach in formulating the estimated sales amounts for each of FY2022, FY2023 and FY2024.

We note from the Caps Computation that the Management have further estimated the Revised Cap and the Annual Caps by considering: (i) the Group's historical average module cost to sales of TFT/TP modules ratio; and (ii) the Group's historical average panel cost to sales of TFT/TP modules ratio. For the sales amount of TFT/TP modules in which TFT modules to be purchased from the BOE Group according to the Group's design, we understand from the Management that they have considered the Group's historical average module cost to sales of TFT/TP modules ratio is applied on the abovementioned estimated sales amount to calculate the estimated cost of TFT modules to be purchased from the BOE Group, which forms estimated amount for purchases of TFT modules from the BOE Group. In estimating the Revised Cap and the Annual Caps for the purchase of panels (for the Group's self-manufacturing of TFT/TP modules) from the BOE Group, the Management made reference to the Group's historical average panel costs to sales of TFT/TP modules ratio as discussed above and the estimated ratios are applied to the estimated sales amount to calculate the estimated costs of panels to be purchased from the BOE Group, which forms the estimated amount for purchases of TFT panels from the BOE Group. In view of the above estimation of purchases amount made by the Management, we have obtained the analysis of total sales and costs for the major TFT/TP modules for the period between January and July 2021 and we concur with the Management that the basis adopted in estimating the abovementioned margin and ratios to be reasonable.

We have also obtained and reviewed ten samples for FY2019 and FY2020 and five samples for 1H2021 respectively of the secured projects under the Project Schedule. The samples were selected on a random basis taking into consideration the size of the contract and that the contracts were entered into in different period during each of FY2019, FY2020 and 1H2021. Therefore, we consider the samples are sufficient, representative and qualified to justify the basis adopted in estimating the abovementioned ratios.

We understand from the Management that the Annual Caps decreased from HK\$6,800 million for FY2022 to HK\$6,000 million for FY2023 and increased back to HK\$6,800 million due to the current intention of the Company to expand its TFT and TP display module manufacturing facilities in the PRC under the JV Project which is expected to commence production in FY2023. The Annual Cap in FY2023 would then decrease to HK\$6,000 million from HK\$6,800 million in FY2022 as a result from shifting the amount of Purchase Transactions for TFT/TP modules from the BOE Group to panel purchase, the TFT panels of which will be used for self-manufacturing of TFT/TP modules under the JV Project.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We also noted from the Cap Computation, an additional buffer of approximately 5% when determining the Revised Cap and the Annual Caps. As the additional buffer is reserved for unforeseeable circumstances including the unpredictable increase in selling price of products under the Purchase Transactions, we consider that such buffer is acceptable.

Having considered the basis on which the Revised Cap and Annual Caps are determined as described above, we are of the view that the Revised Cap and Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

### **8. Conditions of the continuing connected transactions**

In compliance with the Listing Rules, the Purchase Transactions contemplated under the Master Purchase Agreement or the Renewed Master Purchase Agreement are subject to the following conditions, among other things:

- (i) the Revised Cap and the Annual Caps for each of FY2021, FY2022, FY2023 and FY2024 will not be exceeded;
- (ii) the independent non-executive Directors must, in accordance with the Listing Rules, review annually the Purchase Transactions and confirm in the Company's annual report whether the Purchase Transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (iii) the auditors of the Company must, in accordance with the Listing Rules, review annually the Purchase Transactions and they must confirm in a letter to the Board (a copy of which letter will be provided to the Stock Exchange at least ten business days prior to the bulk printing of the annual report of the Company) whether anything has come to their attention that causes them to believe that the Purchase Transactions: (a) have not been approved by the Board; (b) were not, in all material respects, in accordance with the pricing policies of the Group if the Purchase Transactions involve the provision of goods or services by the Group; (c) were not entered into, in all material respects, in accordance with the relevant agreement(s) governing the Purchase Transactions; and (d) have exceeded the Revised Cap and the Annual Caps;
- (iv) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or the auditors cannot confirm the matters as required;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (v) the Company must allow, and ensure that BOE allows, the auditors of the Company sufficient access to their records of the Purchase Transactions for the purpose of the auditors' reporting on the Purchase Transactions. The Board must state in the annual report whether the auditors of the Company have confirmed the matters set out in Rule 14A.56 of the Listing Rules; and
- (vi) the Company must comply with the applicable provisions of the Listing Rules governing continuing connected transactions in the event that the total amount of the Purchase Transactions exceeds the relevant Revised Cap or the Annual Caps, or that there is any material amendment to the terms of the Master Purchase Agreement or the Renewed Master Purchase Agreement.

In light of the conditions imposed on the Purchase Transactions, in particular: (i) the Revised Cap or the Annual Caps of the Purchase Transactions as stipulated under each of the Master Purchase Agreement or the Renewed Master Purchase Agreement; (ii) the on-going review by the audit committee and the auditors of the Company regarding the terms of the Purchase Transactions; and (iii) the on-going review by the auditors of the Company confirming the relevant Revised Cap or the Annual Caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct Purchase Transactions and will be able to safeguard the interest of the Independent Shareholders.

### OPINION AND RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we are of the view that (i) the Revised Cap, the terms of the Renewed Master Purchase Agreement (including the Annual Caps) are fair and reasonable, and in the interests of the Company and the Shareholders as a whole; (ii) the Purchase Transactions are in the ordinary and usual course of business of the Group; and (iii) the terms of the Renewed Master Purchase Agreement are on normal commercial terms. We therefore advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolutions approving the Revised Cap, the Renewed Master Purchase Agreement and the transactions contemplated thereunder (including the Annual Caps) at the SGM.

Yours faithfully,  
For and on behalf of  
**Opus Capital Limited**  
**Andrew Cheung**  
*Executive Director*

*Mr. Cheung On Kit Andrew is an Executive Director of Opus Capital Limited and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Cheung has over 13 years of corporate finance experience in Asia Pacific and has participated in and completed various financial advisory and independent financial advisory transactions.*

## 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. DIRECTORS' INTERESTS

As at Latest Practicable Date, the interests and shorts positions of the Directors and chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), as 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 are taken or deemed to have under such provisions of the SFO), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

### (a) (i) Interests in shares of the Company

Name of Director	Capacity	Number of shares in the Company held	Approximate percentage of the total issued share capital of the Company
Ko Wing Yan, Samantha	Personal Interest	247,000	0.03%
Su Ning	Personal Interest	250,000	0.03%
Chu, Howard Ho Hwa	Personal Interest	70,000	0.01%

*Note:*

- The above interest represented long positions.

## (a) (ii) Interests in shares of BOE (an associated corporation) (Note 1)

Name of Director	Capacity	Number of shares in the BOE held	Approximate percentage of the total issued share capital of BOE
Gao Wenbao	Personal Interest	1,860,700 (Note 2)	0.0053%
Su Ning	Personal Interest	150,000	0.0004%
Shao Xibin	Personal Interest	787,600 (Note 3)	0.0023%
Jin Hao	Personal Interest	628,800 (Note 4)	0.0018%
Zhang Shujun	Personal Interest	153,700	0.0004%

## Notes:

1. BOE subscribed 400,000,000 shares, representing 54.34% of the issued share capital of the Company.
2. On 21 December 2020, BOE granted 1,500,000 shares to Mr. Gao under the 2020 share option and restricted share incentive scheme.
3. On 21 December 2020, BOE granted 634,000 shares to Mr. Shao under the 2020 share option and restricted share incentive scheme.
4. On 21 December 2020, BOE granted 575,000 shares to Mr. Jin under the 2020 share option and restricted share incentive scheme.
5. The above interest represented long positions.

## (b) (i) Interests in share options of the Company

Name of Director	Date of grant	Number of share options as at the Latest Practicable Date	Exercisable period	Exercise price per share option
Ko Wing Yan, Samantha	24 January 2019	500,000	(Note 1)	HK\$2.00
Su Ning	24 January 2019	500,000	(Note 1)	HK\$2.00
Fung, Yuk Kan Peter	24 January 2019	100,000	(Note 1)	HK\$2.00
Chu, Howard Ho Hwa	24 January 2019	30,000	(Note 1)	HK\$2.00
Hou Ziqiang	24 January 2019	100,000	(Note 1)	HK\$2.00

*Notes:*

1. Exercisable period:
  - (i) the first 40% of the share options are exercisable from 1 February 2020 to 31 January 2023;
  - (ii) the second 30% of the share options are exercisable from 1 February 2021 to 31 January 2023; and
  - (iii) the remaining 30% of the share options shall be exercisable from 1 February 2022 to 31 January 2023.
2. The above interests represented long positions.

**(b) (ii) Interests in awarded shares of the Company**

<b>Name of Director</b>	<b>Date of grant</b>	<b>Number of awarded shares as at the Latest Practicable Date</b>	<b>Vesting date</b>
Ko Wing Yan, Samantha	29 March 2021	500,000	<i>(Note 1)</i>
Su Ning	29 March 2021	500,000	<i>(Note 1)</i>
Fung, Yuk Kan Peter	29 March 2021	100,000	<i>(Note 1)</i>
Chu, Howard Ho Hwa	29 March 2021	100,000	<i>(Note 1)</i>
Hou Ziqiang	29 March 2021	100,000	<i>(Note 1)</i>

*Notes:*

1. Vesting date:
  - (i) the first 40% of the awarded shares were vested on 28 April 2021;
  - (ii) the second 30% of the awarded shares shall be vested on 28 April 2022; and
  - (iii) the remaining 30% of the awarded shares shall be vested on 28 April 2023.
2. The above interests represented long positions.

Saved as disclosed above, as at the Latest Practicable Date, none of the Directors, chief executives or any of their associates had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations as recorded in the register required to be kept under Section 352 of Part XV of the SFO or as otherwise 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 are taken or deemed to have under such provisions of the SFO) or the Model Code.

As at the Latest Practicable Date, BOE(HK), a wholly-owned subsidiary of BOE, held 400,000,000 Shares, representing approximately 54.34% of the issued share capital of the Company. Mr. Gao is the executive director, a member of the executive committee and the executive vice president of BOE, and the chief executive officer of Display Business Group of BOE. Mr. Su is a general manager of the application business department of Beijing BOE Display Technology Co., Ltd. (a subsidiary of BOE). Mr. Su has concurrently served as a general manager of the automotive SBU of BOE and a vice president of BOE. Mr. Shao is the chief new product officer of Display Business Group of BOE. Mr. Jin is a head of the production and sales management centre of Display Business Group of BOE and Display Device of BOE. Ms. Zhang is a vice head of financial operation management of Display Business Group of BOE and a financial controller of Nanjing CEC Panda FPD Technology Co., Ltd., a subsidiary of BOE.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had, or was deemed to have, an interest or short position in the shares or underlying shares 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.

### **3. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

### **4. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors or any proposed director of the Company or their respective close associate(s) had any interests in a business which competed or might compete with the business of the Group and had any other conflicts of interests with the Group.

### **5. DIRECTORS' INTERESTS IN CONTRACT AND ASSETS**

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which is significant to the business of the Group. As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2020, the date to which the latest published audited financial statements of the Company were made up.

## 6. MATERIAL ADVERSE CHANGES

The Directors confirm that, as at the Latest Practicable Date, the Directors were not aware of any other material adverse change in the financial or trading position of the Group since 31 December 2020, being the date of the latest published audited financial statements of the Group.

## 7. EXPERT AND CONSENT

The following is the qualification of the expert who has given an opinion or advice, which is contained or referred to in this circular:

<b>Name</b>	<b>Qualification</b>
Opus Capital Limited	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Opus Capital Limited has given and confirmed that it has not withdrawn its written consent to the issue of this circular, with the inclusion herein of its letter, report, advice, opinion and/or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Opus Capital Limited did not have any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2020, the date to which the latest published audited financial statements of the Company were made up.

## 8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours on any weekday (except for public holiday) at the registered and principal office of the Company at Units A-F, 35/F., Legend Tower, No. 7 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong from the date of this circular up to and including the date of the SGM:

- (a) the Master Purchase Agreement;
- (b) the Renewed Master Purchase Agreement;
- (c) the letter of consent referred to in the paragraph headed “Expert and Consent” in this Appendix; and
- (d) this circular.



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## NOTICE OF SGM

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### **BOE VARITRONIX LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 710)**

#### **NOTICE OF SPECIAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the hybrid special general meeting of BOE Varitronix Limited (the “**Company**”) will be held at Units A – F, 35/F., Legend Tower, No. 7 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong on Friday, 22 October 2021 at 10 a.m. for the following purposes:

#### **ORDINARY RESOLUTIONS**

1. “**THAT:**

- (a) The Revised Cap (as defined in the circular of the Company dated 30 September 2021 of which this notice forms part (the “**Circular**”)) for the year ending 31 December 2021 be and are hereby approved; and
- (b) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute and deliver all such documents, instruments or agreements and to do all such other acts or things which he/she/they may in his/her/their absolute discretion consider necessary or desirable in connection with or incidental to any of the matters to give effect to the Revised Cap and the transactions contemplated thereunder and the implementation thereof.”

2. “**THAT:**

- (a) the terms of the Renewed Master Purchase Agreement (as defined in the Circular) (a copy of which is tabled at the meeting and marked “A” for identification purposes) dated 6 September 2021 entered into between the Company and BOE Technology Group Co., Ltd (“**BOE**”) and the Company’s execution and delivery thereof be and are hereby approved in all respects;
- (b) the transactions contemplated under the Renewed Master Purchase Agreement for the three years ending 31 December 2024 (the “**Purchase Transactions**”) and the Company’s entering into and implementation thereof from time to time thereunder and the latest terms governing the same be and are hereby approved in all respects;

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## NOTICE OF SGM

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- (c) the Annual Caps (as defined in the Circular) in respect of the Purchase Transactions for the three years ending 31 December 2024 be and are hereby approved in all respects; and
- (d) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute and deliver all such documents, instruments or agreements and to do all such other acts or things which he/she/they may in his/her/their absolute discretion consider necessary or desirable in connection with or incidental to any of the matters contemplated under the Purchase Transactions for the three years ending 31 December 2024 and/or the said Annual Caps (as defined in the Circular).”

By Order of the Board  
**BOE Varitronix Limited**  
**Mr. Gao Wenbao**  
*Chairman*

Hong Kong, 30 September 2021

*Notes:*

1. A member of the Company entitled to attend and vote at the meeting (the “SGM”) is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. Where there are joint registered holders of any share, any one of such persons may vote at the SGM, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the SGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
3. To be valid, a proxy form, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited to the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited (“**Computershare**”), at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong not less than 48 hours before the appointed time for holding the SGM or any adjourned meeting.
4. The register of members of the Company will be closed from Tuesday, 19 October 2021 to Friday, 22 October 2021 (both days inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the SGM, all transfer of shares accompanied by the relevant share certificates must be lodged with Computershare, of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 18 October 2021.
5. Whether or not you intend to attend and vote at the SGM, you are requested to complete and return the form of proxy. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM should you so wish.
6. The Company will conduct a hybrid SGM using Computershare e-Meeting System, which allows shareholders of the Company (“**Shareholders**”) to participate the SGM online in a convenient and efficient way from anywhere with an internet connection. Shareholders will be able to view the live video broadcast and participate in voting and submit questions in written form to the SGM via their mobile phones, tablet, or computers. The live broadcast option can also broaden the reach of the SGM to Shareholders who do not wish to attend physically due to concerns on attending large scale events under the current COVID-19 situation, or for other overseas Shareholders who are unable to attend in person.

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## NOTICE OF SGM

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7. Although Shareholders are welcome to attend the SGM physically in person if they so wish, the Company strongly recommends Shareholders to attend the SGM via the online option in view of the current development of COVID-19. The Company will also be undertaking the following precautionary measures to safeguard the health and well-being of Shareholders (or their proxies) who are attending the SGM in person, including temperature screening, requiring all participants to wear surgical face mask, plus safe distancing measures for queue management and seating at the meeting venue.
8. For online voting at the SGM, Shareholders can refer to our enclosed letter and the Online Meeting User Guide (by visiting the hyperlink or scanning the QR code as printed therein) for details. If you have any queries on the above, please contact the Company's Hong Kong branch share registrar and transfer office, Computershare, via their hotline at (852) 2862 8555 from 9:00 a.m. to 5:00 p.m. (Monday to Friday, excluding Hong Kong public holidays).
9. Shareholders who wish to attend the SGM and exercise their voting rights can be achieved in one of the following ways:
  - (1) attend the SGM in person and vote via smartphones or designated mobile devices at the SGM venue;  
OR
  - (2) attend the SGM via Computershare e-Meeting System which enables live streaming and interactive platform for Q&A and submit their voting online; OR
  - (3) appoint Chairman of the SGM or other persons as your proxy to vote on your behalf.

Your proxy's authority and instruction will be revoked if you attend and vote in person at the SGM or via the Computershare e-Meeting system.

Non-registered holders whose shares of the Company are held in the Central Clearing and Settlement System through banks, brokers, custodians or Hong Kong Securities Clearing Company Limited may be able to attend the SGM, vote and submit questions online. In this regard, they should consult directly with their banks, brokers or custodians (as the case may be) for the necessary arrangements.

For corporate Shareholders who wish to attend the SGM and to vote online, please contact the Company's Hong Kong branch share registrar and transfer office at (852) 2862 8555 on or before 18 October 2021 for arrangement.