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BOE

BOE VARITRONIX LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 710)

MAJOR AND CONNECTED TRANSACTION PROPOSED CAPITAL INCREASE IN THE JOINT VENTURE

Financial Adviser to the Company

 **SOMERLEY CAPITAL LIMITED**

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

 **Opus** Capital Limited
創富融資有限公司

THE CAPITAL INCREASE AGREEMENT

The Board is pleased to announce that on 28 October 2021 (after trading hours), Link Score, Hefei BOE, BOE and the Joint Venture entered into the Capital Increase Agreement. Pursuant to the Capital Increase Agreement, each of Link Score, Hefei BOE and BOE has conditionally agreed to make capital increase in cash to the Joint Venture of RMB270 million, RMB540 million and RMB540 million respectively.

LISTING RULES IMPLICATIONS

BOE(HK), a wholly-owned subsidiary of BOE, is a substantial shareholder of the Company holding approximately 54.35% of the issued share capital of the Company as at the date of this announcement. BOE is an associate of BOE(HK) and is thus a connected person of the Company under the Listing Rules. As BOE, being a connected person of the Company, can directly exercise more than 10% of the voting power at the Joint Venture's general meeting, the Joint Venture is regarded as a connected subsidiary of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Capital Increase Agreement constitute connected transactions of the Company.

One of the applicable percentage ratios in respect of the Capital Increase, when aggregated with the Previous Transaction which was conducted within 12 months of the Capital Increase, is more than 25% but all applicable percentage ratios are less than 100%. As such, the transactions contemplated under the Capital Increase Agreement, when aggregated with the Previous Transaction, constitute major and connected transactions of the Company and are subject to reporting, announcement, circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 20 August 2021 in relation to the Previous Transaction. The Board is pleased to announce that on 28 October 2021 (after trading hours), Link Score, Hefei BOE, BOE and the Joint Venture entered into the Capital Increase Agreement.

PRINCIPAL TERMS OF THE CAPITAL INCREASE AGREEMENT

- Date: 28 October 2021
- Parties:
- (1) Link Score, a wholly-owned subsidiary of the Company;
 - (2) Hefei BOE, a wholly-owned subsidiary of the Company;
 - (3) BOE; and
 - (4) the Joint Venture, a non-wholly owned subsidiary of the Company.
- Effective date of the Capital Increase Agreement:
- The Capital Increase Agreement is established after being signed and affixed with company chop by all parties, and will become effective upon the following conditions having been met:
- (1) the approval having been obtained in the SGM of the Company, being the controlling shareholder of Link Score and Hefei BOE, according to the requirements of the Listing Rules; and
 - (2) the approval having been obtained from the authorities with the rights to approve the Capital Increase by BOE.
- Capital Increase:
- Pursuant to the Capital Increase Agreement, the following parties have conditionally agreed to make capital increase into the Joint Venture in an aggregate sum of RMB1,350 million in cash in proportion to their existing shareholding percentage in the Joint Venture:
- (1) Link Score has conditionally agreed to make capital increase of RMB270 million into the Joint Venture;
 - (2) Hefei BOE has conditionally agreed to make capital increase of RMB540 million into the Joint Venture; and
 - (3) BOE has conditionally agreed to make capital increase of RMB540 million into the Joint Venture.

Parties to the Capital Increase Agreement shall pay their respective capital increase amount within 14 days after the Joint Venture issued the payment notice (in any case the whole amount of the Capital Increase shall be fully settled by 31 December 2026).

The total amount of the Capital Increase under the Capital Increase Agreement was determined after arm's length negotiations among the parties, with reference to the capital required to build a production base for the manufacturing of smart automotive display devices (including but not limited to TFT and touch panel display modules), with product sizes covering 5 inches to 35 inches.

Upon completion of the Capital Increase, the registered capital of the Joint Venture will be increased from RMB150 million to RMB1,500 million. The Joint Venture will continue to be a non-wholly owned subsidiary of the Company.

The following table sets out the shareholding structure of the Joint Venture as at the date of this announcement and upon the completion of the Capital Increase:

Name of shareholder	As at the date of this announcement		Upon completion of the Capital Increase	
	Capital contribution (RMB)	Interest in the Joint Venture (%)	Capital contribution (RMB)	Interest in the Joint Venture (%)
Link Score	30,000,000	20	300,000,000	20
Hefei BOE	60,000,000	40	600,000,000	40
BOE	60,000,000	40	600,000,000	40
Total	<u>150,000,000</u>	<u>100</u>	<u>1,500,000,000</u>	<u>100</u>

Completion:

Completion of the Capital Increase will take place after the Joint Venture has completed the industrial and commercial registration in relation to the Capital Increase and obtained a new business license.

REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE

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 and touch panel display module assembly capacity. In 2020, the Group's revenue increased by approximately 27% and the profit attributable to Shareholders recorded a significant increase of approximately 170% comparing to that of 2019. The TFT module business and touch panel display module business continued to achieve remarkable growth during 2020 and contributed over 75% of the Group's 2020 revenue in total. According to the Company's 2021 interim report, the Group's revenue and profit attributable to Shareholders for the six months ended 30 June 2021 increased by approximately 69% and 423% respectively, when compared with the amounts for the first half of 2020. The revenue from the sales of TFT modules and touch panel display modules accounted for approximately 81% of the Group's total revenue during the first half of 2021. The major growth engine in this period is from the PRC in which the automotive market has experienced a fast recovery from the impact of the COVID-19 pandemic.

Looking forward, the Group expects the momentum of growth will continue throughout the second half of 2021 based on the Group's sales order status of mass production projects. Thus, the Group's revenue and profit are expected to increase further in the second half of 2021 comparing to the first half of 2021, as it is expected that further economies of scales will be achieved through the sales increases. The growth engine mainly comes from the TFT and touch panel modules orders of the PRC for both conventional vehicles and new energy vehicles. The Group has established strategic cooperation with a number of major PRC automobile manufacturers as well as Tier-1 manufacturers in recent years and has been deepening our cooperation through the Group's active product and technology promotions. The Group has also been actively cooperating with new energy vehicle manufacturers in the PRC to increase its market share in this fast-growing market in coming years.

In view of the positive outlook of the automotive display business, especially in the PRC, the Group believes that the investment in the proposed automotive display manufacturing project in Chengdu (the "**Project**") through the Joint Venture is beneficial to the Group by expanding the Group's scale of operations in relation to smart automotive display devices (including but not limited to TFT and touch panel display modules) to capture the upcoming business opportunities and expand the Group's market share in the growing automotive market. The total estimated investment amount of the Project is RMB2,500 million with an annual expected production capacity of approximately 14 million pieces of automotive displays devices. Based on investigation and discussions, Link Score, Hefei BOE and BOE have set the development goals of the Joint Venture and intended to increase the capital amount of the Joint Venture in order to carry out the Project. The total amount of the Capital Increase of RMB1,350 million will be used to build a production base for the manufacturing of smart automotive display devices (including but not limited to TFT and touch panel display modules) and for daily operation of the Joint Venture. The production base will be composed of facilities in relation to, among others, production and ancillary production facilities, amenities, power, environmental protection, safety measures and fire control. The Capital Increase to be made by Link Score and Hefei BOE will be financed by the internal resources and external funding of the Group. Upon completion of the Capital Increase, the registered capital of the Joint Venture will be increased from RMB150 million to RMB1,500 million. The difference between the total investment amount of the Project of RMB2,500 million and the registered capital of the Joint Venture upon completion of the Capital Increase of

RMB1,500 million, is expected to be satisfied by the Joint Venture through external funding. If the Joint Venture is unable to proceed with the automotive display manufacturing project in Chengdu, Link Score, Hefei BOE and BOE agreed to de-register the Joint Venture (if necessary) without recourse.

The Directors (excluding the independent non-executive Directors, whose view will be provided after taking into account the advice of the Independent Financial Adviser) are of the view that the terms of the Capital Increase Agreement are fair and reasonable, the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES TO THE CAPITAL INCREASE AGREEMENT

Link Score is a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

Hefei BOE is a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company. It is principally engaged in design, manufacturing and sales of display related products.

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), is a supplier of semiconductor display technologies, products and services and its products are widely used in a broad spectrum of applications such as mobile phones, tablets, notebooks, monitors, TVs, vehicle displays and digital information displays. BOE is one of the major suppliers of TFT displays in the global market. BOE also has production lines for manufacturing TFT modules mainly for consumer products like phones, tablets, notebook computers, monitors, TVs, vehicle displays and digital information displays. The Group is the sole platform of automotive display module and system business within the BOE Group.

The Joint Venture is a company incorporated in the PRC with limited liability and a non-wholly owned subsidiary of the Company. It is principally engaged in, among other things, manufacturing and sales of smart automotive equipment and display devices.

LISTING RULES IMPLICATIONS

BOE(HK), a wholly-owned subsidiary of BOE, is a substantial shareholder of the Company holding approximately 54.35% of the issued share capital of the Company as at the date of this announcement. BOE is an associate of BOE(HK) and is thus a connected person of the Company under the Listing Rules. As BOE, being a connected person of the Company, can directly exercise more than 10% of the voting power at the Joint Venture's general meeting, the Joint Venture is regarded as a connected subsidiary of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Capital Increase Agreement constitute connected transactions of the Company.

One of the applicable percentage ratios in respect of the Capital Increase, when aggregated with the Previous Transaction which was conducted within 12 months of the Capital Increase, is more than 25% but all applicable percentage ratios are less than 100%. As such, the transactions contemplated under the Capital Increase Agreement, when aggregated with the Previous Transaction, constitute major and connected transactions of the Company and are subject to reporting, announcement, circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

GENERAL

As at the date of this announcement, 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 Capital Increase Agreement and the transactions contemplated thereunder, and thus have abstained from voting on the relevant Board resolutions.

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 Capital Increase Agreement and the transactions contemplated thereunder.

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 Capital Increase Agreement and the transactions contemplated thereunder. A SGM will be convened and held by the Company to consider and, if thought fit, pass the resolutions to approve the Capital Increase Agreement and the transactions contemplated thereunder. A circular containing, among other things, (i) details of the Capital Increase Agreement and the transactions contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Capital Increase Agreement and the transactions contemplated thereunder; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Capital Increase Agreement and the transactions contemplated thereunder; and (iv) a notice convening the SGM will be despatched to the Shareholders on or before 18 November 2021.

DEFINITIONS

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

“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 and a wholly-owned subsidiary of BOE

“Capital Increase”	the capital increase by Link Score, Hefei BOE and BOE pursuant to the Capital Increase Agreement
“Capital Increase Agreement”	the capital increase agreement entered into among Link Score, Hefei BOE, BOE and the Joint Venture on 28 October 2021
“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 Rule
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hefei BOE”	Hefei BOE Vehicle Display Technology Co., Ltd.* (合肥京東方車載顯示技術有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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 Capital Increase Agreement and the transactions contemplated thereunder
“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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Capital Increase Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than BOE(HK) and its associates
“Joint Venture”	Chengdu BOE Automotive Electronic Limited* (成都京東方汽車電子有限公司), a company incorporated in the PRC with limited liability pursuant to the shareholders’ agreement entered into among Link Score, Hefei BOE and BOE on 20 August 2021, and a non-wholly owned subsidiary of the Company
“Link Score”	Link Score Investment Limited* (年加投資有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China (which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan)
“Previous Transaction”	the formation of the Joint Venture, details of which are set out in the announcement of the Company dated 20 August 2021
“RMB”	Renminbi, the lawful currency of the PRC
“SGM”	a special general meeting to be convened and held by the Company to consider and, if thought fit, pass resolutions to approve the Capital Increase Agreement and the transactions contemplated thereunder
“Shares”	the ordinary shares of HK\$0.25 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the same meaning as ascribed to it under the Listing Rules
“TFT”	thin film transistor
“%”	per cent

By order of the board of
BOE Varitronix Limited
Gao Wenbao
Chairman

Hong Kong, 28 October 2021

As at the date of this announcement, the Board comprises nine Directors, of whom Mr. Gao Wenbao, Ms. Ko Wing Yan, Samantha and Mr. Su Ning are executive Directors, Mr. Shao Xibin, Mr. Jin Hao and Ms. Zhang Shujun are non-executive Directors, and Mr. Fung, Yuk Kan Peter, Mr. Chu, Howard Ho Hwa and Mr. Hou Ziqiang are independent non-executive Directors.

* *For identification purposes only*