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BOE

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

**(1) PLACING OF NEW SHARES UNDER GENERAL MANDATE
(2) CONNECTED TRANSACTION IN RELATION TO
SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE
AND
(3) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

Placing Agent in respect of the Placing

CREDIT SUISSE 

Financial Adviser to the Company

 **SOMERLEY CAPITAL LIMITED**

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


Optima Capital Limited

THE PLACING

The Board is pleased to announce that on 1 September 2022 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Company has agreed to allot and issue and the Placing Agent has agreed, as placing agent of the Company, to procure on a best effort basis not less than six subscribers (who and whose ultimate beneficial owners will be third parties independent of, and not connected with the Company and its connected persons) to subscribe for 33,300,000 Shares at the Placing Price of HK\$15.20 per Placing Share, for a total cash consideration of HK\$506,160,000.

The Placing Shares represent (i) approximately 4.52% of the existing issued Shares as at the date of this announcement; (ii) approximately 4.33% of the issued Shares as enlarged by the allotment and issue of the Placing Shares only (assuming no other change in the issued Shares from the date of this announcement to the closing date of the Placing); and (iii) approximately 4.22% of the issued Shares as enlarged by the allotment and issue of the Placing Shares and the Subscription Shares (assuming no other change in the issued Shares from the date of this announcement to the closing date of the Placing and the closing date of the Shareholder Subscription).

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are third parties independent of, and not connected with the Company and its connected persons.

The Placing Shares will be allotted and issued under the General Mandate and thus will not be subject to the approval by the Shareholders at the SGM.

CONNECTED TRANSACTION IN RELATION TO THE SHAREHOLDER SUBSCRIPTION

The Board is pleased to announce that on 1 September 2022 (after trading hours), the Company and BOE(HK) entered into the Shareholder Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue and BOE(HK) has conditionally agreed to subscribe for 19,730,000 Subscription Shares at the Subscription Price of HK\$15.20 per Subscription Share, which is the same as the Placing Price, for a total cash consideration of HK\$299,896,000.

The Subscription Shares represent (i) approximately 2.68% of the existing issued Shares as at the date of this announcement; (ii) approximately 2.61% of the issued Shares as enlarged by the allotment and issue of the Subscription Shares only (assuming no other change in the issued Shares from the date of this announcement to the closing date of the Shareholder Subscription, and that no Shares are issued pursuant to the Placing); and (iii) approximately 2.50% of the issued Shares as enlarged by the allotment and issue of the Placing Shares and the Subscription Shares (assuming no other change in the issued Shares from the date of this announcement to the closing date of the Placing and the closing date of the Shareholder Subscription).

The Subscription Shares will be allotted and issued under the Specific Mandate.

USE OF PROCEEDS

The aggregate gross proceeds from the Placing and the Shareholder Subscription will be approximately HK\$806.06 million, of which (i) HK\$506.16 million will be from the Placing; and (ii) approximately HK\$299.90 million will be from the Shareholder Subscription. After deducting all placing commission, fees, costs and expenses incurred by the Company in connection with the Placing and the Shareholder Subscription, the aggregate net proceeds from the Placing and the Shareholder Subscription are expected to be approximately HK\$798.76 million, of which (i) approximately HK\$499.77 million will be from the Placing; and (ii) approximately HK\$299.00 million will be from the Shareholder Subscription. The Company intends to apply the net proceeds of the Placing and the Shareholder Subscription mainly for its expansion of TFT and touch panel display module manufacturing facilities, including the facilities in Chengdu and Heyuan of the PRC (including the relevant capital expenditure and working capital), and for general working capital purposes.

APPLICATION FOR LISTING

Applications will be made to the Listing Committee for the listing of, and permission to deal in, the Placing Shares and the Subscription Shares on the Stock Exchange.

LISTING RULES IMPLICATIONS

As at the date of this announcement, BOE(HK) is the controlling shareholder and therefore a substantial shareholder of the Company holding approximately 54.30% of the issued share capital of the Company, and hence is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Shareholder Subscription Agreement constitute connected transactions of the Company and are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Subscription Shares will be allotted and issued under the Specific Mandate to be proposed for approval by the Independent Shareholders by way of an ordinary resolution at the SGM.

The Placing Shares will be allotted and issued under the General Mandate and thus will not be subject to the approval by the Shareholders.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

In order for the Company to accommodate the future expansion and growth of the Group, the Board proposes to increase the authorised share capital of the Company from HK\$200,000,000 divided into 800,000,000 Shares to HK\$1,250,000,000 divided into 5,000,000,000 Shares by the creation of an additional 4,200,000,000 new Shares. The Increase in Authorised Share Capital is subject to the passing of an ordinary resolution by the Shareholders at the SGM.

GENERAL

The SGM will be convened (a) for the Independent Shareholders to consider, and if thought fit, approve the Shareholder Subscription Agreement and the transactions contemplated thereunder, and the Specific Mandate; and (b) for the Shareholders to consider, and if thought fit, approve the Increase in Authorised Share Capital.

The Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders on the Shareholder Subscription Agreement and the transactions contemplated thereunder. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further details of the Shareholder Subscription Agreement and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee containing its advice to the Independent Shareholders in respect of the Shareholder Subscription Agreement and the transactions contemplated thereunder; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Shareholder Subscription Agreement and the transactions contemplated thereunder; (iv) further details of the Increase in Authorised Share Capital; and (v) a notice convening the SGM and the relevant proxy form, is expected to be despatched by the Company to the Shareholders on or before 23 September 2022.

For the avoidance of doubt, closings of the Placing and the Shareholder Subscription are not inter-conditional upon each other.

Since closings of the Placing and the Shareholder Subscription are subject to the satisfaction of the conditions precedent set out in the Placing Agreement and the Shareholder Subscription Agreement respectively, each of the Placing and the Shareholder Subscription may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

THE PLACING

The Board is pleased to announce that on 1 September 2022 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Company has agreed to allot and issue and the Placing Agent has agreed, as placing agent of the Company, to procure on a best effort basis not less than six subscribers to subscribe for 33,300,000 Shares at the Placing Price of HK\$15.20 per Placing Share, for a total cash consideration of HK\$506,160,000.

Set out below are the other principal terms of the Placing Agreement:

Date

1 September 2022

Parties

- (1) the Company; and
- (2) the Placing Agent

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are third parties independent of, and not connected with the Company and its connected persons.

The placing commission, which shall be paid by the Company to the Placing Agent on the closing date of the Placing, was determined after arm's length negotiation between the Company and the Placing Agent with reference to, among others, the prevailing commission rate charged by other placing agents, the size of the Placing and the prevailing market price of the Shares.

Placees

The Placing Shares will be placed by the Placing Agent to not less than six Placees who and whose ultimate beneficial owners will be third parties independent of, and not connected with the Company and its connected persons. It is expected that none of the Placees will become a substantial shareholder of the Company as a result of the Placing.

Placing Shares

33,300,000 new Shares, representing (i) approximately 4.52% of the existing issued Shares as at the date of this announcement; (ii) approximately 4.33% of the issued Shares as enlarged by the allotment and issue of the Placing Shares only (assuming no other change in the issued Shares from the date of this announcement to the closing date of the Placing); and (iii) approximately 4.22% of the issued Shares as enlarged by the allotment and issue of the Placing Shares and the Subscription Shares (assuming no other change in the issued Shares from the date of this announcement to the closing date of the Placing and the closing date of the Shareholder Subscription).

The aggregate nominal value of the Placing Shares will be HK\$8,325,000.

Placing Price

The Placing Price of HK\$15.20 per Placing Share represents:

- (i) a discount of approximately 7.20% to the closing price of HK\$16.38 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 11.83% to the average closing price of approximately HK\$17.24 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days prior to the Last Trading Day;
- (iii) a discount of approximately 14.12% to the average closing price of approximately HK\$17.70 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days prior to the Last Trading Day;
- (iv) a premium of approximately 26.04% over the average closing price of approximately HK\$12.06 per Share as quoted on the Stock Exchange for the last six (6) months prior to the Last Trading Day; and
- (v) a premium of approximately 265.38% over the consolidated net asset value attributable to the Shareholders of approximately HK\$4.16 per Share as at 30 June 2022 calculated based on the consolidated net asset value attributable to the Shareholders of approximately HK\$3,061.4 million as at 30 June 2022 and 736,595,204 Shares in issue as at the date of this announcement.

The Placing Price is exclusive of brokerage, trading fees, transaction fees and levies.

The Placing Price was determined after arm's length negotiations between the Company and the Placing Agent with reference to (i) the prevailing market price of the Shares; (ii) the recent market condition; and (iii) the net asset value of the Group as at 30 June 2022.

Ranking of the Placing Shares

The Placing Shares, upon fully paid, shall rank *pari passu* in all respects with the issued Shares as at the closing date of the Placing, including the right to rank in full for all dividends, distributions and other rights declared, distributed or received in respect of the Placing Shares for which a record date occurs on or after the closing date of the Placing.

Conditions precedent of the Placing Agreement

Closing of the Placing is conditional upon the fulfilment of, among others, the following conditions:

- (i) before the closing of the Placing, there shall not have occurred any event that, in the sole judgment of the Placing Agent, would make the placement of the Placing Shares or the enforcement of contracts to subscribe for the Placing Shares impracticable or inadvisable, or would materially prejudice trading of the Placing Shares in the secondary market. Such events are (a) any material adverse change, or any development reasonably likely to involve a material adverse change, in the condition, financial or otherwise, or in the earnings, assets, business, operations or prospects of the Company, or the Company and its subsidiaries taken as a whole; (b) any suspension or limitation of trading (A) in any of the Company's securities by the Stock Exchange (save and except for any trading halt in relation to the Placing), or (B) generally on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Tokyo Stock Exchange, the London Stock Exchange, the New York Stock Exchange or the Nasdaq National Market; (c) any outbreak or escalation of hostilities, material deterioration of pandemic or epidemic, act of terrorism, the declaration by Hong Kong, the PRC, the United States, the United Kingdom or any other member of the European Economic Area or any other jurisdiction relevant to the Placing (together, the “**Relevant Jurisdictions**”, each a “**Relevant Jurisdiction**”) of a national emergency or war or other calamity or crisis; (d) any material disruption in commercial banking or securities settlement or clearance services in any Relevant Jurisdiction and/or a general moratorium on commercial banking activities having been declared by the relevant authorities in any Relevant Jurisdiction; or (e) any material adverse change or development involving a prospective material adverse change in or affecting the financial markets in any Relevant Jurisdiction or in international financial, political or economic conditions, currency exchange rates, exchange controls or taxation;
- (ii) the representations and warranties made by the Company pursuant to the Placing Agreement being true and accurate and not misleading as of the date of the Placing Agreement and the closing date of the Placing;
- (iii) the Listing Committee having granted the listing of and permission to deal in the Placing Shares, and such listing and permission not subsequently revoked prior to the delivery of the Placing Shares in accordance with the Placing Agreement; and
- (iv) the Placing Agent having received various legal opinions in accordance with the terms of the Placing Agreement in form and substance reasonably satisfactory to the Placing Agent.

Closing and Termination of the Placing

Closing of the Placing shall take place on the second (2nd) business day (as defined in the Placing Agreement) after fulfilment of all conditions precedent but in any event no later than 22 September 2022 or at such other time and/or date as the Company and the Placing Agent may agree.

The Placing Agent may elect, in its sole discretion, to terminate the Placing Agreement in accordance with the terms thereof, such as on the grounds that the Company does not deliver the Placing Shares on the closing date of the Placing and certain conditions precedent has not been satisfied or waived in writing on the dates specified in the Placing Agreement.

Lock-up

The Company has undertaken to the Placing Agent that for a period beginning on the date of the Placing Agreement and ending on the date which is 90 days after the closing date of the Placing, the Company shall not, without the prior written consent of the Placing Agent (i) effect or arrange or procure placement of, allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe for, or enter into any transaction which is designed to, or might reasonably be expected to, result in any of the aforesaid (whether by actual disposition or effective economic disposition due to cash settlement or otherwise), directly or indirectly, any equity securities of the Company or any securities convertible into, or exercisable, or exchangeable for, equity securities of the Company, or (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of the Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of the Shares or such other securities, in cash or otherwise, or (iii) publicly announce an intention to effect any such transaction. The foregoing shall not apply to the issue of (i) the Option Shares, (ii) the Subscription Shares, (iii) any new Shares as may be allotted and issued under the share award plan adopted by the Company on 28 August 2020; and (iv) the Placing Shares.

GENERAL MANDATE

Pursuant to the General Mandate, the total number of new Shares that the Company is authorised to issue is 147,313,040 Shares, representing not more than 20% of the total number of issued Shares as at the date of the AGM. Since the date of the AGM and up to the date of this announcement, no Shares had been allotted and issued by the Company under the General Mandate. Accordingly, the General Mandate is sufficient for the allotment and issue of the Placing Shares, and the Placing Shares will be allotted and issued under the General Mandate and shall not be subject to any further approval by the Shareholders at the SGM.

For the avoidance of doubt, closings of the Placing and the Shareholder Subscription are not inter-conditional upon each other.

CONNECTED TRANSACTIONS IN RELATION TO THE SHAREHOLDER SUBSCRIPTION

The Board is pleased to announce that on 1 September 2022 (after trading hours), the Company and BOE(HK) entered into the Shareholder Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue and BOE(HK) has conditionally agreed to subscribe for 19,730,000 Subscription Shares at the Subscription Price of HK\$15.20 per Subscription Share, for a total cash consideration of HK\$299,896,000.

Set out below are the other principal terms of the Shareholder Subscription Agreement:

Date

1 September 2022

Parties

- (1) the Company (as the issuer); and
- (2) BOE(HK) (as the subscriber)

Subscription Shares

19,730,000 new Shares to be issued to BOE(HK), representing (i) approximately 2.68% of the existing issued Shares as at the date of this announcement; (ii) approximately 2.61% of the issued Shares as enlarged by the allotment and issue of the Subscription Shares only (assuming no other change in the issued Shares from the date of this announcement to the closing date of the Shareholder Subscription, and that no Shares are issued pursuant to the Placing); and (iii) approximately 2.50% of the issued Shares as enlarged by the allotment and issue of the Placing Shares and the Subscription Shares (assuming no other change in the issued Shares from the date of this announcement to the closing date of the Placing and the closing date of the Shareholder Subscription).

The aggregate nominal value of the Subscription Shares will be HK\$4,932,500.

Subscription Price

The Subscription Price is HK\$15.20 per Subscription Share which is the same as the Placing Price.

The Subscription Price was determined after arm's length negotiations between the Company and BOE(HK) with reference to (i) the prevailing market price of the Shares; (ii) the recent market condition; and (iii) the net asset value of the Group as at 30 June 2022.

The total Subscription Price shall be payable by BOE(HK) in cash on the closing date of the Shareholder Subscription in accordance with the Shareholder Subscription Agreement.

Ranking of the Subscription Shares

The Subscription Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects among themselves and with the Shares in issue on the closing date of the Shareholder Subscription.

Conditions precedent of the Shareholder Subscription Agreement

The Shareholder Subscription Agreement is conditional upon the following conditions being satisfied or waived (as applicable):

- (i) the Independent Shareholders having passed resolution at the SGM to approve the Shareholder Subscription Agreement and the transactions contemplated thereunder, and the Specific Mandate;
- (ii) the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Subscription Shares, and such approval not having been revoked or withdrawn (including unconditional approval or conditional approval subject to the general conditions proposed by the Stock Exchange); and
- (iii) BOE(HK) having obtained all necessary consents, approvals and/or the filings for the Shareholder Subscription Agreement and the Shareholder Subscription from its internal governing bodies and relevant regulatory authorities.

Closing and Termination of the Shareholder Subscription

Closing of the Shareholder Subscription shall take place on the third (3rd) Business Day after the day on which the last conditions precedent as set out in the Shareholder Subscription Agreement is fulfilled or waived (as applicable) (or such other date as the Company and BOE(HK) may agree in writing).

If any of the conditions precedent as set out in the Shareholder Subscription Agreement is not fulfilled or waived (as applicable) prior to 30 November 2022, the Shareholder Subscription Agreement shall cease to be of any effect, save for certain clauses as stipulated in the Shareholder Subscription Agreement and claims arising out of any antecedent breaches thereof.

INFORMATION ON THE PARTIES

The Company 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.

BOE(HK), a wholly-owned subsidiary of BOE, is the controlling shareholder and therefore a substantial shareholder of the Company holding approximately 54.30% of the issued share capital of the Company as at the date of this announcement. 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 well-known leading 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, televisions, automotive displays and digital information displays. BOE is one of the leading suppliers of TFT displays in the global market, which also has production lines for manufacturing TFT modules mainly for consumer products like phones, tablets, notebook computers, monitors, televisions, automotive displays and digital information displays. The Group is the sole platform of automotive display module and system business within the BOE Group.

SPECIFIC MANDATE

The Shareholder Subscription is subject to the Independent Shareholders' approval. The Subscription Shares will be allotted and issued under the Specific Mandate to be proposed for approval by the Independent Shareholders by way of an ordinary resolution at the SGM.

For the avoidance of doubt, closings of the Placing and the Shareholder Subscription are not inter-conditional upon each other.

Since closings of the Placing and the Shareholder Subscription are subject to the satisfaction of the conditions precedent set out in the Placing Agreement and the Shareholder Subscription Agreement respectively, each of the Placing and the Shareholder Subscription may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

REASONS FOR AND BENEFITS OF THE PLACING AND THE SHAREHOLDER SUBSCRIPTION

For the year ended 31 December 2021, the Group recorded revenue and profit attributable to Shareholders of approximately HK\$7,738 million and HK\$328 million, representing year-on-year increases of approximately 71% and 378% respectively. The Group's revenue from TFT module business and touch panel display modules business increased by approximately 86% compared to 2020 and contributed approximately 85% of the Group's revenue in 2021. For the six months ended 30 June 2022, the Group recorded revenue and profit attributable to Shareholders of approximately HK\$4,831 million and HK\$251 million, representing increases of approximately 51% and 164% respectively when compared with the same period of 2021. The Group's revenue has increased across most of geographical regions as a result of increase in sales of TFT and touch panel display modules to customers, especially in the PRC. Such increase in revenue is mainly contributed by the commencement of mass production of TFT and touch panel display modules projects and overall increase in market demand and average selling price in the automotive market. The Group's TFT module business and touch panel display modules business contributed approximately 87% of the Group's revenue in the first half of 2022.

According to the summary of a report titled "Automotive Smart Display Market Size Report, 2021-2028" issued by Grand View Research Inc. (being a market research and consulting company headquartered in San Francisco, providing syndicated research reports, customised research reports, and consulting services and operating database used by the world's renowned academic institutions 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 of approximately 6.2% from 2021 to reach approximately US\$16.98 billion in 2028. The management of the Company expects that the Group's revenue will continue to grow based on the order status of mass production projects which mainly drive from the increasing demand from TFT and touch panel display modules in the PRC and other regions such as Europe and Korea. The Group has obtained mass production projects for major automobile manufacturers and established a strong relationship with its strategic partners, including major automobile manufacturers and new electrical vehicle manufacturers.

In view of the prospect of TFT and touch panel display business set out above, the Placing and the Shareholder Subscription are being undertaken to strengthen the financial position of the Group and provide working capital to the Group to expand its TFT and touch panel display module manufacturing business in Chengdu and Heyuan of the PRC. Shareholders' equity base of the Company will be further enlarged to support the healthy and sustainable development of the Company.

BOE shall remain as a controlling Shareholder immediately before and after the closings of the Placing and the Shareholder Subscription. The Shareholder Subscription demonstrates the confidence of BOE in the Company's long-term business development and prospects, and also the support for stable supply of TFT panels and provision of technical support from the BOE Group which enables the Group's business to expand rapidly in keen competition. The Group will continue to be the sole platform of automotive display module and system business within the BOE Group.

The Placing shall broaden the Company's shareholders profile. The introduction of new investors would present a positive signal to the market and the customers and business partners of the Group, which is conducive to the continuing development of the Company.

The Company has considered other forms of equity financing (such as a rights issue or an open offer). Other forms of equity financing generally would (i) incur a higher amount of additional costs, including but not limited to, underwriting commission, documentation and other professional fees; (ii) take a longer period of time for completion and expose to higher degree of uncertainties when compared to the Placing and the Shareholder Subscription taking into account the longer time required for preparation of documentation and approval as compared to that of the Placing and the Shareholder Subscription; and (iii) be more difficult to achieve those benefits in relation to the shareholder base as mentioned above in this section. In relation to debt financing, the growth of further borrowings, if outpacing the Group's growth in income stream, would create additional interest burden.

Taking into account the above factors, the Company has entered into the Placing Agreement and the Shareholder Subscription Agreement with the Placing Agent and BOE(HK) respectively to provide the Group with further capital. The Company may consider to obtain different sorts of financing, including but not limited to debt financing to further develop its TFT and touch panel display module manufacturing business if required, and at the same time maintaining a healthy gearing ratio of the Group.

The Directors consider the terms of the Placing Agreement (including the Placing Price) to be fair and reasonable and in the interests of the Company and the Shareholders as a whole, and the Placing Agreement is on normal commercial terms following arm's length negotiations between the Company and the Placing Agent.

The Directors (other than (i) Mr. Gao Wenbao, Mr. Su Ning, Mr. Shao Xibin, Mr. Jin Hao and Mr. Zhang Jianqiang, who are required to abstain from voting on the relevant Board resolution due to their positions in the BOE Group and their shareholding interest in BOE; and (ii) the independent non-executive Directors, who will express their opinion on the Shareholder Subscription after taking into consideration the advice of the Independent Financial Adviser) consider that the terms of the Shareholder Subscription Agreement (including the Subscription Price) are fair and reasonable and the Shareholder Subscription Agreement is on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS OF THE PLACING AND THE SHAREHOLDER SUBSCRIPTION

The aggregate gross proceeds from the Placing and the Shareholder Subscription will be approximately HK\$806.06 million, of which (i) HK\$506.16 million will be from the Placing; and (ii) approximately HK\$299.90 million will be from the Shareholder Subscription. After deducting all placing commission, fees, costs and expenses incurred by the Company in connection with the Placing and the Shareholder Subscription, the aggregate net proceeds from the Placing and the Shareholder Subscription are expected to be approximately HK\$798.76 million, of which (i) approximately HK\$499.77 million will be from the Placing; and (ii) approximately HK\$299.00 million will be from the Shareholder Subscription. After deducting such placing commission, fees, costs and expenses, the estimated net Placing Price is approximately HK\$15.01 per Placing Share and the estimated net Subscription Price is approximately HK\$15.15 per Subscription Share.

As stated in the Company's interim results announcement for the six months ended 30 June 2022, the Group will continue to grasp the upcoming trend of the automotive industry and to pursuing to become a leading integrated automotive smart cockpit display system solution provider. In view of the positive outlook of the automotive display business, with the existing manufacturing facilities in Heyuan of the PRC, the Group has established its TFT and touch panel display module manufacturing facilities in Chengdu of the PRC to capture upcoming business opportunities and further expand its market share upon its expected completion in late 2022 or early 2023. The Company intends to apply the net proceeds of the Placing and the Shareholder Subscription mainly for its expansion of TFT and touch panel display module manufacturing facilities, including the facilities in Chengdu and Heyuan of the PRC (including the relevant capital expenditure and working capital), and for general working capital purposes.

EFFECT ON THE SHARE CAPITAL OF THE COMPANY AS A RESULT OF (I) THE PLACING AND (II) THE SHAREHOLDER SUBSCRIPTION

As at the date of this announcement, the Company has 736,595,204 Shares in issue. Set out below is a table illustrating the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately upon the allotment and issue of the Placing Shares only; (iii) immediately upon the allotment and issue of the Subscription Shares only; and (iv) immediately upon the allotment and issue of the Placing Shares and the Subscription Shares (assuming there is no other change to the number of the issued Shares from the date of this announcement to the closing date of the Placing and the closing date of the Shareholder Subscription).

Shareholders	As at the date of this announcement		Immediately upon the allotment and issue of the Placing Shares only		Immediately upon the allotment and issue of the Subscription Shares only		Immediately upon the allotment and issue of the Placing Shares and the Subscription Shares	
	No. of Shares	Approx. (%)	No. of Shares	Approx. (%)	No. of Shares	Approx. (%)	No. of Shares	Approx. (%)
<i>Substantial and controlling shareholder</i>								
BOE(HK)	400,000,000	54.30	400,000,000	51.96	419,730,000	55.50	419,730,000	53.16
<i>Directors</i>								
Ko Wing Yan, Samantha	657,000	0.09	657,000	0.09	657,000	0.09	657,000	0.08
Su Ning	660,000	0.09	660,000	0.09	660,000	0.09	660,000	0.08
Fung, Yuk Kan Peter	82,000	0.01	82,000	0.01	82,000	0.01	82,000	0.01
Chu, Howard Ho Hwa	82,000	0.01	82,000	0.01	82,000	0.01	82,000	0.01
Hou Ziqiang	61,000	0.01	61,000	0.01	61,000	0.01	61,000	0.01
Sub-total of substantial and controlling shareholder and Directors	401,542,000	54.51	401,542,000	52.16	421,272,000	55.70	421,272,000	53.35
<i>Public</i>								
Places	–	–	33,300,000	4.33	–	–	33,300,000	4.22
Other public Shareholders	335,053,204	45.49	335,053,204	43.52	335,053,204	44.30	335,053,204	42.43
Sub-total of public Shareholders	335,053,204	45.49	368,353,204	47.84	335,053,204	44.30	368,353,204	46.65
Total	736,595,204	100.00	769,895,204	100.00	756,325,204	100.00	789,625,204	100.00

Note:

The aggregate of the percentage figures in the table above may not add up to the relevant sub-total or total percentage figures shown due to rounding of the percentage figures to two decimal places. Percentages may not add up to 100% due to rounding.

FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD

During the past twelve months immediately preceding the date of this announcement, the Company has not conducted any equity fund raising activity.

APPLICATION FOR LISTING

Applications will be made to the Listing Committee for the listing of, and permission to deal in, the Placing Shares and the Subscription Shares on the Stock Exchange.

LISTING RULES IMPLICATIONS

As at the date of this announcement, BOE(HK) is the controlling shareholder and therefore a substantial shareholder of the Company holding approximately 54.30% of the issued share capital of the Company, and hence is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Shareholder Subscription Agreement constitute connected transactions of the Company and are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Subscription Shares will be allotted and issued under the Specific Mandate to be proposed for approval by the Independent Shareholders by way of an ordinary resolution at the SGM.

The Placing Shares will be allotted and issued under the General Mandate and thus will not be subject to the approval by the Shareholders at the SGM.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the date of this announcement, the authorised share capital of the Company is HK\$200,000,000 divided into 800,000,000 Shares, of which 736,595,204 Shares have been allotted and issued. Upon the completion of the Placing, the Shareholder Subscription and the issuance of 2,450,000 Option Shares (if all outstanding options granted under the Share Option Scheme are exercised), the total number of Shares allotted and issued will increase to 792,075,204 (assuming no other change in the issued Shares from the date of this announcement to the respective date of completion of the Placing, the Shareholder Subscription and issuance of Option Shares).

In order for the Company to accommodate the future expansion and growth of the Group, the Board proposes to increase the authorised share capital of the Company from HK\$200,000,000 divided into 800,000,000 Shares to HK\$1,250,000,000 divided into 5,000,000,000 Shares by the creation of an additional 4,200,000,000 new Shares.

An ordinary resolution, to be voted by way of poll to approve the Increase in Authorised Share Capital, will be proposed at the SGM. Further information with respect to the Increase in Authorised Share Capital will be included in the circular to be issued and despatched by the Company in relation to the Shareholder Subscription together with the notice of the SGM.

The Directors are of the opinion that the Increase in Authorised Share Capital is in the interests of the Company and the Shareholders as a whole.

GENERAL

BOE(HK) is the controlling shareholder and therefore a substantial shareholder of the Company holding approximately 54.30% of the issued share capital of the Company. BOE is an associate of BOE(HK) and is thus a connected person of the Company under the Listing Rules. 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 Mr. Zhang Jianqiang (“**Mr. Zhang**”), a non-executive Director, holds 641,500 A shares of BOE. In addition, Mr. Gao is a director and the president of the 10th board of directors, vice chairman of the executive committee of BOE Technology Group, the chief executive officer of Display Business Group of BOE. Mr. Su is currently the general manager of automotive SBU of the Display Business Group of BOE. Mr. Shao is the chief new product officer of Display Business Group of BOE. Mr. Jin is the deputy head of the centre of the planning and operation, and display device and IoT innovation business. Mr. Zhang is the head of financial operation management of Display Business Group of BOE and the regional financial director of BOE in Hefei. In view of the above, Mr. Gao, Mr. Su, Mr. Shao, Mr. Jin and Mr. Zhang might be considered as having material interests in the Shareholder Subscription Agreement and the Shareholder Subscription, and thus have abstained from voting on the relevant Board resolution.

The SGM will be convened (a) for the Independent Shareholders to consider, and if thought fit, approve the Shareholder Subscription Agreement and the transactions contemplated thereunder, and the Specific Mandate; and (b) for the Shareholders to consider, and if thought fit, approve the Increase in Authorised Share Capital.

The Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders on the Shareholder Subscription Agreement and the transactions contemplated thereunder. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further details of the Shareholder Subscription Agreement and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee containing its advice to the Independent Shareholders in respect of the Shareholder Subscription Agreement and the transactions contemplated thereunder; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Shareholder Subscription Agreement and the transactions contemplated thereunder; (iv) further details of the Increase in Authorised Share Capital; and (v) a notice convening the SGM and the relevant proxy form, is expected to be despatched by the Company to the Shareholders on or before 23 September 2022.

DEFINITIONS

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

“AGM”	the annual general meeting of the Company held on 30 June 2022
“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., 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)
“BOE(HK)”	BOE Technology (HK) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of BOE
“BOE Group”	BOE and its subsidiaries
“Business Day”	any day (other than Saturday, Sunday or public holiday and days on which a tropical cyclone warning no. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong) on which licensed banks are generally opened for business in Hong Kong
“Company”	BOE Varitronix Limited (stock code: 710), whose 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
“controlling shareholder”	has the same meaning as ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“General Mandate”	the general mandate granted to the Directors by a resolution of Shareholders passed on 30 June 2022 to allot, issue and deal with unissued Shares not exceeding 20% of the total number of Shares in issue as at the date of passing such resolution
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Increase in Authorised Share Capital”	the proposed increase in authorised share capital of the Company from HK\$200,000,000 (divided into 800,000,000 Shares) to HK\$1,250,000,000 (divided into 5,000,000,000 Shares) by the creation of an additional 4,200,000,000 new Shares

“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 Shareholder Subscription Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	Optima Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Shareholder Subscription Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than BOE(HK), its associates, and shareholder(s) having material interests in the Shareholder Subscription Agreement and the Shareholder Subscription
“Last Trading Day”	1 September 2022, being the last trading day prior to the signing of the Placing Agreement and the Shareholder Subscription Agreement
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Option Shares”	Shares that may be allotted and issued upon the full exercise of share options outstanding as at the date of this announcement under the Share Option Scheme
“Placee(s)”	any professional, institutional or other investor(s) whom the Placing Agent have procured to subscribe for any of the Placing Shares pursuant to the Placing Agreement
“Placing”	the placement of the Placing Shares pursuant to the terms of the Placing Agreement
“Placing Agent”	Credit Suisse (Hong Kong) Limited
“Placing Agreement”	the conditional placing agreement entered into between the Company and the Placing Agent dated 1 September 2022 in relation to the Placing
“Placing Price”	the placing price of HK\$15.20 per Placing Share
“Placing Shares”	33,300,000 new Shares to be allotted and issued pursuant to the Placing Agreement and each a “Placing Share”
“PRC”	the People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

“SGM”	a special general meeting to be convened and held by the Company to consider and, if thought fit, pass resolutions to approve the Shareholder Subscription Agreement and the transactions contemplated thereunder, the Specific Mandate, and the Increase in Authorised Share Capital
“Share Option Scheme”	the fourth share option scheme of the Company adopted on 3 June 2013
“Share(s)”	the ordinary share(s) of HK\$0.25 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Shareholder Subscription”	the subscription of the Subscription Shares by BOE(HK) pursuant to the terms of the Shareholder Subscription Agreement
“Shareholder Subscription Agreement”	the conditional share subscription agreement entered into between the Company and BOE(HK) dated 1 September 2022 in relation to the Shareholder Subscription
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the SGM to authorise the Board to issue the Subscription Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$15.20 per Subscription Share
“Subscription Shares”	19,730,000 new Shares to be allotted and issued pursuant to the Shareholder Subscription Agreement and each a “Subscription Share”
“substantial shareholder”	has the same meaning as ascribed to it under the Listing Rules
“TFT”	thin film transistor
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 1 September 2022

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 Mr. Zhang Jianqiang are non-executive Directors, and Mr. Fung, Yuk Kan Peter, Mr. Chu, Howard Ho Hwa and Mr. Hou Ziqiang are independent non-executive Directors.