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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**

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



#### **REVISION OF ANNUAL CAP AND RENEWAL OF PURCHASE TRANSACTIONS**

The Group has been carrying out the Purchase Transactions with the BOE Group. 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.

#### **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 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.

The Independent Board Committee comprising all the independent non-executive Directors 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).

A SGM will be convened and held by the Company to consider and, if thought fit, pass the resolutions to approve the Revised Cap, the Renewed Master Purchase Agreement and the transactions contemplated thereunder (including the Annual Caps). A circular containing, among other things, (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) a 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); and (iv) a notice convening the SGM will be despatched to the Shareholders on or before 28 September 2021.

## **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 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.

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.

## **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.

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. Leveraging its 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 faces keen competition. Total revenue of the Group increased from approximately HK\$2,879 million in 2017 to approximately HK\$4,527 million in 2020, and during the same period, revenue from the sales of TFT modules and TP display modules increased from approximately 36% to 78% of the total revenue of the Group. 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. 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 deepen 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. 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, 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, 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 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.

## **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.

## **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 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).

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 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.

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.

## 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>	Actual transaction amount			Existing annual caps		
	For the year ended 31 December		For the eight months ended 31 August	For the year ended 31 December		
	2019	2020	2021	2019	2020	2021
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>	The Revised Cap	The Annual Caps		
	For the year ending 31 December 2021	2022	2023	2024
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; and

- (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.

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; and
- (iv) 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 (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 Revised Cap and Annual Caps are fair and reasonable.

## **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. 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 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.

## **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 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.

## **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 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.

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).

A SGM will be convened and held by the Company to consider and, if thought fit, pass the resolutions to approve the Revised Cap, the Renewed Master Purchase Agreement and the transactions contemplated thereunder (including the Annual Caps). A circular containing, among other things, (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) a 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); and (iv) a notice convening the SGM will be despatched to the Shareholders on or before 28 September 2021.

## **DEFINITIONS**

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

“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 announcement)
“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
“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
“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 announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan)
“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 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

By order of the Board of  
**BOE Varitronix Limited**  
**Gao Wenbao**  
*Chairman*

Hong Kong, 6 September 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.*