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

**DISCLOSEABLE TRANSACTION**  
**PRE-CONSTRUCTION AGREEMENT AND CONSTRUCTION AGREEMENT**

**THE AGREEMENTS**

After a tendering process, on 28 January 2022 (after trading hours), Chengdu BOE (a non-wholly owned subsidiary of the Company) entered into the Construction Agreement with the Contractor, the successful bidder, pursuant to which the Contractor will provide the Construction Works at the Construction Area to Chengdu BOE at the Consideration of RMB515,793,682.20 (equivalent to approximately HK\$629,016,685.61), subject to adjustments (if any).

On 28 January 2022 (after trading hours), Chengdu BOE also entered into the Pre-Construction Agreement in respect with the Pre-Construction Works at the Construction Area with the Contractor at the Pre-Consideration of RMB9,740,000.00 (equivalent to approximately HK\$11,878,048.78).

**LISTING RULES IMPLICATIONS**

As the highest of the applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Pre-Construction Agreement is less than 5%, it is fully exempted under Chapter 14 of the Listing Rules. However, since the Pre-Construction Agreement was entered into between the same parties in connection with the Construction Works under the Construction Agreement, the transactions contemplated under the Agreements are required to be aggregated pursuant to Rules 14.22 and 14.23 of the Listing Rules.

As the highest applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Agreements on an aggregated basis, approximately RMB525,533,682.20 (equivalent to approximately HK\$640,894,734.39), are more than 5% but less than 25%, the transactions contemplated under the Agreements are therefore subject to the reporting and announcement requirements, but exempt from the shareholders' approval requirements in accordance with Chapter 14 of the Listing Rules.

## **INTRODUCTION**

After a tendering process, on 28 January 2022 (after trading hours), Chengdu BOE (a non-wholly owned subsidiary of the Company) entered into the Construction Agreement with the Contractor, the successful bidder, pursuant to which the Contractor will provide the Construction Works at the Construction Area to Chengdu BOE at the Consideration of RMB515,793,682.20 (equivalent to approximately HK\$629,016,685.61), subject to adjustments (if any).

On 28 January 2022 (after trading hours), Chengdu BOE also entered into the Pre-Construction Agreement in respect with the Pre-Construction Works at the Construction Area with the Contractor at the Pre-Consideration of RMB9,740,000.00 (equivalent to approximately HK\$11,878,048.78).

## **THE PRE-CONSTRUCTION AGREEMENT**

The principal terms of the Pre-Construction Agreement are set out below:

Date	:	28 January 2022 (after trading hours)
Parties	:	(i) Chengdu BOE (ii) the Contractor
Pre-Construction Works	:	The Contractor is appointed as the contractor responsible for the pre-construction of factory plant and ancillary facilities located at the Construction Area.
Pre-Construction period	:	The pre-construction period commences from the date when the tender notice is issued by Chengdu BOE. The pre-construction period is 85 days.
Pre-Consideration	:	RMB9,740,000.00 (equivalent to approximately

HK\$11,878,048.78) (including 9% value-added tax, and safe and civilized construction cost)

The Pre-Consideration is subject to adjustments based on the actual work to be undertaken, the change of scope of the Pre-Construction Works and the Customary Price Adjustment Mechanism.

The Pre-Consideration was determined after arm's length negotiations between the parties and will be financed by internal resources of the Group and/ or external funding.

Pre-Construction Performance Guarantee : Within 10 days after the signing of the Pre-Construction Agreement and in respect of the performance of its obligations therein, the Contractor shall provide a bank performance guarantee (the "Pre-Construction Performance Guarantee"), in an amount of 10% of the Pre-Consideration and is valid until the date of the completion and acceptance of the Pre-Construction Works.

Payment terms : (A) Advance payment  
(i) The amount of advance payment shall be paid by Chengdu BOE is 20% of the Pre-Consideration (the "Pre-Construction Advance Payment").

(ii) within 10 days after the Pre-Construction Agreement is signed, the Contractor shall provide the bank guarantee of the Pre-Construction Advance Payment.

(iii) the advance payment period of Chengdu BOE is within 15 working days after receiving the bank guarantee of the Pre-Construction Advance Payment and the Pre-Construction Performance Guarantee.

(B) Progress payment

(i) after the completion and acceptance of the whole Pre-Construction Works, the payment shall be made up to 90% of the completed Construction Works;

(ii) after 12 months from the date of completion and acceptance of the whole Pre-Construction Works as approved

by Chengdu BOE and no serious quality problems are found, the payment shall be made up to 97% of the settlement amount of the Pre-Construction Works; and

(iii) from the date of completion and acceptance of the whole Pre-Construction Works as approved by Chengdu BOE and no serious quality problems are found after the expiration of the 24-month defect liability period, the payment shall be made to 100% of the settlement amount of the Pre-Construction Works.

Warranty period : 2 years from the date of the completion and acceptance of the Pre-Construction Works.

Subcontracting : Pursuant to the terms of the Pre-Construction Agreement or with the prior written consent of Chengdu BOE for the approval of the subcontracting, the Contractor shall ensure that the subcontractor has the corresponding qualifications and capabilities. The responsibilities and obligations of the Contractor is not reduced nor exempted under the subcontracted Pre-Construction Works. The Contractor and the subcontractor are jointly and severally liable to Chengdu BOE for the subcontracted Pre-Construction Works.

## **THE CONSTRUCTION AGREEMENT**

The principal terms of the Construction Agreement are set out below:

Date : 28 January 2022 (after trading hours)

Parties : (i) Chengdu BOE  
(ii) the Contractor

Construction Works : The Contractor is appointed as the contractor responsible for the construction of factory plant and ancillary facilities located at the Construction Area.

Construction period : The construction period commences from the date when the Contractor enters the Construction Area to the date of the completion and acceptance of the Construction Works. The construction period is 511 days.

If any change of scope of the Construction Works, either party may request to adjust the construction period according to the terms of the Construction Agreement.

If the Contractor fails to complete wholly or any part of the Construction Works within the construction period, the Contractor shall pay a penalty to Chengdu BOE.

Consideration : The Consideration payable to the Contractor pursuant to the Construction Agreement shall be RMB515,793,682.20 (equivalent to approximately HK\$629,016,685.61), subject to adjustments based on the actual work to be undertaken, the change of scope of the Construction Works and the Customary Price Adjustment Mechanism.

The Consideration was determined after arm’s length negotiations between the parties and will be financed by internal resources of the Group and/ or external funding.

	RMB
Consideration	<u>515,793,682.20</u>
(a) Estimated Sum (including external power lines and bridges, small buildings, construction utilities and all insurance, Chengdu BOE designated subcontracting and etc.)	291,900,000.00
(b) Non-estimated sum (including safe and civilized construction cost)	<u>223,893,682.20</u>

Construction Performance Guarantee : Within 10 days after the signing of the Construction Agreement and in respect of the performance of its obligations therein, the Contractor shall provide a bank performance guarantee (the “Construction Performance Guarantee”), in an amount of 10%

of the Consideration (after deducting the Estimated Sum) and is valid until the date of the completion and acceptance of the Construction Works.

Payment terms

: (A) Advance payment

(i) The amount of advance payment shall be paid by Chengdu BOE is 20% of the Consideration (after deducting the Estimated Sum) (the “Construction Advance Payment”).

(ii) If the Estimated Sum incurs any advance payment, it shall be implemented in accordance with the terms of Construction Agreement and at the time of any relevant agreements signed.

(iii) within 10 days after the Construction Agreement is signed, the Contractor shall provide the bank guarantee of the Construction Advance Payment.

(iv) the advance payment period of Chengdu BOE is within 15 working days after receiving the bank guarantee of the Construction Advance Payment and the Construction Performance Guarantee.

(B) Progress payment (on a monthly basis)

(i) the Contractor submits the completed Construction Works of the current period on a monthly basis. The payment shall be made proportionally up to 80% (including the Construction Advance Payment) of the Construction Works as approved by Chengdu BOE;

(ii) within 30 days after the completion and acceptance of the Construction Works, the payment shall be made up to 90% of the completed Construction Works;

(iii) within 30 days after the completion and acceptance, and the settlement of the Construction Works, the payment shall be made up to 97% of the settlement amount of the Construction Works; and

(iv) from the date of completion and acceptance of the whole Construction Works as approved by Chengdu BOE and no serious quality problems are found after the expiration of the 24-month defect liability period, the payment shall be made to 100% of the total settlement amount of the Construction Works.

Warranty period : Unless otherwise specified, the warranty period is 24 months from the date of the inspection, and acceptance and completion of the Construction Works by Chengdu BOE pursuant to the Construction Agreement.

Subcontracting : (i) Pursuant to the terms of the Construction Agreement or with the prior written consent of Chengdu BOE for the approval of the subcontracting, the Contractor shall ensure that the subcontractor has the corresponding qualifications and capabilities. The responsibilities and obligations of the Contractor is not reduced nor exempted under the subcontracted Construction Works. The Contractor and the subcontractor are jointly and severally liable to Chengdu BOE for the subcontracted Construction Works.

(ii) Within 10 days after a designated subcontractor is determined, the Contractor shall provide the bank guarantee of the advance payment in the same amount paid to the designated subcontractor.

(iii) Within 10 days after the designated subcontractor is determined, the Contractor shall provide a bank performance guarantee in an amount of 10% of the designated subcontract consideration and is valid until the date of completion and acceptance of the Construction Works.

## **BASIS, REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENTS**

Reference is made to the announcements of the Company dated 20 August 2021 and 28 October 2021 and the circular dated 2 December 2021 (the “Circular”) in relation to the Previous Transaction and the Capital Increase.

In view of the positive outlook of the automotive display business, especially in the PRC, the Group believes that the investment in the automotive display module manufacturing project in Chengdu (the “Project”) through Chengdu BOE is beneficial to the Group by expanding the Group’s existing TFT and touch panel display module manufacturing facilities in the PRC to capture the upcoming business opportunities and expand the Group’s market share in the growing automotive market. The total land area of the Project is approximately 151,000 square meters. Module assembly and optical bonding lines will be constructed in the plant as part of the manufacturing facilities of the Group with an annual expected production capacity of approximately 14 million pieces of automotive display devices.

Following the execution of the Capital Increase Agreement as disclosed in the Circular, the Group entered into the Agreements to commence the Construction Works.

The Contractor was selected by Chengdu BOE for the transactions contemplated under the Agreements through an open tendering process, and the Pre-Consideration and the Consideration were determined based on the bidding price offered by the Contractor. Chengdu BOE awarded the Agreements to the Contractor after thorough evaluation of the bids, considering factors including but not limited to the experience and capability of the bidders and the Contractor, the expected scope and complexity of the Pre-Construction Works and the Construction Works to be performed, the expected cost of the Pre-Construction Works and the Construction Works and the prevailing market price for carrying out a construction of similar scale and complexity. Chengdu BOE considers that the Contractor is able to provide up to standard construction services for implementing the Agreements.

The Directors (including the independent non-executive Directors) are of the view that (i) the Agreements are entered into the ordinary and usual course of business of the Group; (ii) the terms of the Agreements and the transactions contemplated thereunder are fair and reasonable and on normal commercial terms; and (iii) the Agreements are in the interests of the Company and the Shareholders as a whole.

## **INFORMATION ON THE PARTIES**

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.



Chengdu BOE is a company established in the PRC with limited liability and a non-wholly owned subsidiary of the Company, is owned as to 20% by Link Score, 40% by Hefei BOE and 40% by BOE. BOE is an associate of BOE(HK) which is a substantial shareholder of the Company holding approximately 54.33% of the issued share capital of the Company as at the date of this announcement. Chengdu BOE is principally engaged in, among other things, manufacturing and sales of automotive equipment and display devices.

The Contractor is a PRC-based company principally engaged in the construction general contracting; professional contracting; leasing of construction machinery and equipment, formwork, frame materials; sales of construction machinery and equipment, building materials; project investment; construction project management; engineering survey and design. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Contractor is ultimately beneficially owned as to approximately 75.76% by China Construction First Group Corporation Limited\* (中國建築一局(集團)有限公司), approximately 16.16% by ICBC Financial Asset Investment Co., Ltd.\* (工商金融資產投資有限公司) and approximately 8.08% by Agricultural Bank Financial Assets Limited Investment Co., Ltd.\* (農銀金融資產投資有限公司), and each of the Contractor and its ultimate beneficial owners is an Independent Third Party.

## **LISTING RULES IMPLICATIONS**

As the highest of the applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Pre-Construction Agreement is less than 5%, it is fully exempted under Chapter 14 of the Listing Rules. However, since the Pre-Construction Agreement was entered into between the same parties in connection with the Construction Works under the Construction Agreement, the transactions contemplated under the Agreements are required to be aggregated pursuant to Rules 14.22 and 14.23 of the Listing Rules.

As the highest applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Agreements on an aggregated basis, approximately RMB525,533,682.20 (equivalent to approximately HK\$640,894,734.39), are more than 5% but less than 25%, the transactions contemplated under the Agreements are therefore subject to the reporting and announcement requirements, but exempt from the shareholders' approval requirements in accordance with Chapter 14 of the Listing Rules.

## DEFINITIONS

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

- “Agreements” : the Pre-Construction Agreement and the Construction Agreement
- “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, which is 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 Chengdu BOE on 28 October 2021
- “Chengdu BOE” : Chengdu BOE Automotive Electronic Limited\* (成都京東方汽車電子有限公司), a company established in the PRC with limited liability and a non-wholly owned subsidiary of the Company
- “Company” : BOE Varitronix Limited (stock code: 710), a company incorporated in Bermuda with limited liability and 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
- “Consideration” : the total consideration payable for services to be obtained under the Construction Agreement

- “Construction Agreement” : the agreement dated 28 January 2022 entered into between Chengdu BOE and the Contractor in respect of the Construction Works
- “Construction Area” : a piece of land situated at Group 1, Anbu Village, Group 9 and 10, Qingshui Village, Xiyuan Street, Gaoxin West District, Chengdu,, the PRC
- “Construction Works” : the construction of factory plant and ancillary facilities located at the Construction Area
- “Contractor” : China Construction First Group Construction & Development Co., Ltd.\* (中建一局集團建設發展有限公司), a company established in the PRC with limited liability
- “Customary Price Adjustment Mechanism” : in the event that the fluctuation of the price of main materials (such as steel reinforcement, concrete and/ or cables) rises or falls by more than 5%, the Pre-Consideration and/ or the Consideration can be adjusted with reference to, among others, market price of raw materials necessary for the construction, and as based on the guidance policies of relevant government departments of the PRC, and the negotiation and agreement of the parties
- “Director(s)” : the director(s) of the Company
- “Estimated Sum” : the estimated fees for materials, equipment and services which are necessary for the construction but the standard and price of which are not determinable at the time of the Construction Agreement
- “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 established in the PRC with limited liability and a wholly-owned subsidiary of the Company

“HK\$”	:	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	:	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	:	third party independent of the Company and its connected persons (having the same meaning ascribed to it under the Listing Rules)
“Link Score”	:	Link Score Investment Limited, 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
“Pre-Consideration”	:	the total consideration payable for services to be obtained under the Pre-Construction Agreement
“Pre-Construction Agreement”	:	the agreement dated 28 January 2022 entered into between Chengdu BOE and the Contractor in respect of the Pre-Construction Works at the Construction Area
“Pre-Construction Works”	:	the pre-construction of factory plant and ancillary facilities located at the Construction Area
“PRC”	:	the People’s Republic of China (which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“Previous Transaction”	:	the formation of Chengdu BOE, details of which are set out in the announcement of the Company dated 20 August 2021
“RMB”	:	Renminbi, the lawful currency of the PRC
“Share(s)”	:	the ordinary share(s) of HK\$0.25 each in the share capital of the Company
“Shareholder(s)”	:	the holders of the Share(s)

- “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.

*For the purpose of this announcement, unless otherwise indicated, the exchange rate of HK\$1.00 = RMB0.82 has been used, where applicable, for purpose of illustration only and it does not constitute any representation that any amount has been, could have been or may be exchanged at that rate or at any other rate.*

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

Hong Kong, dated 28 January 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.*