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

CONTINUING CONNECTED TRANSACTION
MASTER SUBCONTRACTING AGREEMENT

On 29 April 2022 (after trading hours), the Company and the Subcontractors entered into the Master Subcontracting Agreement, pursuant to which the Company has agreed to provide subcontracting services of manufacturing TFT/TP modules and other products on a non-exclusive basis to the Subcontractors, for a term from 29 April 2022 to 31 December 2024.

BOE(HK), a wholly-owned subsidiary of BOE, is a substantial shareholder of the Company holding approximately 54.32% of the issued share capital of the Company as at the date of this announcement. Each of the Subcontractors is a wholly-owned subsidiary of BOE and an associate of BOE(HK) and is thus a connected person of the Company under the Listing Rules. As such, the transactions contemplated under the Master Subcontracting Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Based on the Subcontracting Annual Caps and all applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules, the transaction contemplated under the Master Subcontracting Agreement is exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

On 29 April 2022 (after trading hours), the Company and the Subcontractors entered into the Master Subcontracting Agreement.

MASTER SUBCONTRACTING AGREEMENT

The principal terms of the Master Subcontracting Agreement are as follows:

- Date : 29 April 2022 (after trading hours)
- Parties : (i) the Company; and
(ii) the Subcontractors
- Subject : The Group has agreed to provide subcontracting services of manufacturing TFT/TP modules and other products on a non-exclusive basis to the Subcontractors, for a term from 29 April 2022 to 31 December 2024. For the avoidance of doubt, the Group is not contractually bound to provide the subcontracting services to the Subcontractors which is free to provide the subcontracting services to any other independent third-party customers during the term of the Master Subcontracting Agreement.

TFT modules are thin film transistor modules which generally refer to a unit comprises, among others, a panel, backlight and integrated circuits. TP modules are modules with touch panel displays. The other products are vehicle networking and automotive electronic systems which include, among others, electronic communications devices within a vehicle such as remote control of the headlights/air-conditioner using a smartphone app or a remote control, navigation system, electronic monitoring system, global positioning system module, radio and head-up display.

The Subcontractors may provide major components and materials to the Company. The Group will further process and assemble the components and materials to manufacture TFT/TP modules and other products in accordance with the design and specifications provided by the Subcontractors.

The Company shall procure members of the Group to enter into separate and definite agreement(s) from time to time with the Subcontractors

which would provide, among others, the exact quantity, specifications and quality requirement of the TFT/TP modules and other products, place and date of delivery, processing fee per unit and payment terms, pursuant to the terms of the Master Subcontracting Agreement.

Term : The Master Subcontracting Agreement will become effective from 29 April 2022 to 31 December 2024 (both days inclusive).

Pricing policy : The Company shall charge the Subcontractors the processing fee on a “cost-plus” basis, which will be determined based on the direct costs incurred by the Company (including, among others, labour cost, power, utilities, equipment depreciation, management fee and etc.) with respect to the provision of the subcontracting services plus a profit margin.

The terms of subcontracting services (including the processing service fee, the cost of the materials which are provided by the Company, the packaging fee (including the usage fee of the recycled packaging material), the inspection fee, the transportation fee, the after-sale service, the insurance fee, the storage fee and etc. which receivable by the Company from the Subcontractors) will be on normal commercial terms and determined between the Company and the Subcontractors on an arm’s length basis. The terms of the subcontracting services between the Company and the Subcontractors shall be no less favourable than those with independent third parties under the same terms and conditions. The exact pricing of each order shall be subject to each agreement.

Payment : The Subcontractors shall settle the processing fee to the Company within 60 days from the last day of each calendar month in respect of the TFT/TP modules and other products delivered during that calendar month.

HISTORICAL FIGURES AND PROPOSED SUBCONTRACTING ANNUAL CAPS

The Subcontractors had not engaged the Company for transactions which are similar in nature to the Subcontracting Transactions, thus no historical transaction figure is available. The Subcontracting Annual Caps for the period from 29 April 2022 to 31 December 2022 and each of the two years ending 31 December 2023 and 2024 are HK\$60,000,000, HK\$85,000,000 and HK\$120,000,000 respectively.

The Subcontracting Annual Caps are determined with reference to:

- (i) unit cost of processing fee which is estimated with reference to quotations from existing or under negotiation of independent third parties for providing services similar to the Subcontracting Transactions;
- (ii) estimated demand on the Subcontracting Transactions taking into account the anticipated increase in the scale and business operation of the Subcontractors; and
- (iii) an additional buffer of approximately 5.00%.

PRICING POLICIES AND INTERNAL CONTROL

Before entering into any agreement in respect of the Subcontracting Transactions, the sales and marketing department of the Group compares the principal terms of the Subcontractors' processing fee receivable by the Group with that of independent customers and ensure the major terms received by the Group, the pricing policies are fair and reasonable and no less favourable than the terms available to the Group from independent customers. The senior management of the sales and marketing department of the Group will conduct regular checks on a monthly basis to review and assess whether the Subcontracting Transactions are conducted in accordance with the terms of the Master Subcontracting Agreement.

The finance department of the Group shall monitor and ensure the Subcontracting Annual Caps are not exceeded. The internal audit department of the Group shall review that the Subcontracting Transactions are and will be conducted in accordance with the terms of the Master Subcontracting Agreement, and report to the audit committee of the Company semi-annually.

The Company's external auditors will review the Subcontracting 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 Director(s) who are interested in the relevant transaction(s) shall abstain from voting on the Subcontracting Agreement and the Subcontracting Annual Caps for the period from 29 April 2022 to 31 December 2022 and each of the two years ending 31 December 2023 and 2024.

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

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 TP display module assembly capacity.

BOE, a company whose shares are listed on the Shenzhen Stock Exchange (stock code 000725 for its A shares and stock code 200725 for its B shares), is a supplier of semiconductor display technologies, products and services and its products are widely used in a broad spectrum of applications such as mobile phones, tablets, notebooks, monitors, televisions, vehicle displays and digital information displays. BOE is one of the major suppliers of TFT displays in the global market. BOE also has production lines for manufacturing TFT modules mainly for consumer products like phones, tablets, notebook computers, monitors, televisions, vehicle displays and digital information displays. The Group is the sole platform of automotive display module and system business within the BOE Group.

Chengdu BOE is a wholly-owned subsidiary of BOE and is principally engaged in research and development, technology, production and sales of various small and medium size TFT-LCD panel and related products of high-tech enterprises.

Hefei Xinsheng is a wholly-owned subsidiary of BOE and is principally engaged in investment in construction, research and development, production and sales of TFT-LCD devices related products and their supporting products.

Beijing BOE is a wholly-owned subsidiary of BOE and is principally engaged in research and development, production and sales of TFT-LCD devices related products and their supporting products.

Hefei BOE is a wholly-owned subsidiary of BOE and is principally engaged in investment in construction, research and development, production and sales of TFT-LCD devices related products and their supporting products.

REASONS FOR AND BENEFITS OF THE MASTER SUBCONTRACTING AGREEMENT

With the development and progress of TFT display technology, TFT displays have become very popular. The full optical bonding technology is able to attach on the TFT display and cover lens closely and reduces ambient light reflection which improves the physical and optical performance of the TFT modules and further enhances the user experience. Meanwhile, with the development of artificial intelligence technology, the human-machine interface also becomes more and more important and drives the demand for touch technology. Through the full optical bonding technology, the touch sensor can attach to the LCD screen and carry out its interactive touch function.

The Subcontractors specialize in the manufacturing and sale of display devices or integrated display module. The Company has its own plant and equipment and is engaged in the processing of TFT/TP modules and other products. The Subcontracting Transactions to be provided could allow stable processing for the Subcontractors which shall resell the products to ultimate customers all over the world.

The Board considers that the Subcontracting Transactions could provide benefits to the Group, among others, (i) generating additional revenue to the Group; (ii) utilising our production facilities more efficiently; (iii) allowing the Group to keep up-to-date knowledge to the development of technology and the industry; and (iv) allowing the Group to meet the production and quality requirement of the ultimate customers, and has a better chance to be a qualified supplier of them for other products and increase our market share and revenue in future.

The Directors (including the independent non-executive Directors) are of the view that (i) the Master Subcontracting Agreement is on normal commercial terms or better and in the ordinary and usual course of business of the Group; (ii) the terms of the Master Subcontracting Agreement (including the Subcontracting Annual Caps) are fair and reasonable; and (iii) the Master Subcontracting Agreement is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

BOE(HK), a wholly-owned subsidiary of BOE, is a substantial shareholder of the Company holding approximately 54.32% of the issued share capital of the Company as at the date of this announcement. Each of the Subcontractors is a wholly-owned subsidiary of BOE and an

associate of BOE(HK) and is thus a connected person of the Company under the Listing Rules. As such, the transactions contemplated under the Master Subcontracting Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Based on the Subcontracting Annual Caps and all applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules, the transaction contemplated under the Master Agreement is exempt from the circular (including independent financial advice) and 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 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 a head of the production and sales management centre of Display Business Group of BOE and Display Device of BOE. Mr. Zhang is the head of financial operation management of Display Business Group of BOE and the regional financial director of BOE in Hefei.

Mr. Gao, Mr. Su, Mr. Shao, Mr. Jin and Mr. Zhang present at the Board meeting were not counted in the quorum and they have abstained from voting at the Board meeting to approve the Master Subcontracting Agreement and the Subcontracting Annual Caps. Save as disclosed above, none of the Directors has a material interest in the Master Subcontracting Agreement and was required to abstain from voting on the Board resolutions.

DEFINITIONS

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

- "associates" : has the same meaning as ascribed to it under the Listing Rules
- "Beijing BOE" : Beijing BOE Optoelectronics Technology Co., Ltd.* (北京京東方光電科技有限公司)

“Board”	:	the board of Directors
“BOE”	:	BOE Technology Group Co., Ltd.
“BOE(HK)”	:	BOE Technology (HK) Limited
“BOE Group”	:	BOE and its subsidiaries (excluding the Group for the purpose of this announcement)
“Chengdu BOE”	:	Chengdu BOE Optoelectronics Technology Co., Ltd.* (成都京東方光電科技有限公司)
“Company”	:	BOE Varitronix Limited (stock code: 710), a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
“connected persons”	:	has the same meaning as ascribed to it under the Listing Rules
“Director(s)”	:	director(s) of the Company
“Group”	:	the Company and its subsidiaries
“Hefei BOE”	:	Hefei BOE Optoelectronics Technology Co., Ltd.* 合肥京東方光電科技有限公司
“Hefei Xinsheng”	:	Hefei Xinsheng Optoelectronics Technology Co., Ltd.* 合肥鑫晟光電科技有限公司
“HK\$”	:	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	:	the Hong Kong Special Administrative Region of the PRC
“LCD”	:	liquid crystal displays

“Listing Rules”	:	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Master Subcontracting Agreement”	:	the master subcontracting agreement entered into between the Company and Subcontractors dated 29 April 2022 pursuant to which the Company has agreed to provide subcontracting services of manufacturing TFT/TP modules and other products on a non-exclusive basis to the Subcontractors, up to 31 December 2024.
“PRC”	:	the People’s Republic of China (which for the purpose of the Master Subcontracting Agreement, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan)
“Share(s)”	:	the ordinary share(s) of HK\$0.25 each in the share capital of the Company
“Shareholder(s)”	:	holder(s) of the Share(s)
“Stock Exchange”	:	The Stock Exchange of Hong Kong Limited
“Subcontracting Annual Caps”	:	the proposed maximum annual processing fee payable by the Subcontractors to the Company for the Subcontracting Transactions
“Subcontracting Transactions”	:	all transactions contemplated under the Master Subcontracting Agreement
“Subcontractors”	:	collectively, Beijing BOE, Chengdu BOE, Hefei BOE and Hefei Xinsheng
“substantial shareholder”	:	has the same meaning as ascribed to it under the Listing Rules
“TFT”	:	thin film transistor
“TP”	:	touch panel
“%”	:	per cent

* for identification only

By Order of the Board
BOE Varitronix Limited
Gao Wenbao
Chairman

Hong Kong, dated 29 April 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.