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BOE VARITRONIX LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 710)

**CONNECTED TRANSACTION
DEEMED DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY**

CAPITAL INCREASE AGREEMENT

The Board is pleased to announce that, on 3 March 2021 (after trading hours), the Target Company, Hefei New Economy, Anhui IV&AI (LP), Hefei Jiangchi (LP), Mr. Kang, Varitronix (SZ) and SZ Chicheng (LP) entered into the Capital Increase Agreement in relation to the Capital Increase of an aggregate of RMB38,000,000 to the Target Company by Varitronix (SZ) (RMB8,000,000), Hefei New Economy (RMB20,000,000) and Anhui IV&AI (LP) (RMB10,000,000).

Upon completion of the First Capital Increase, the equity interest in the Target Company held by Varitronix (SZ) will be increased from approximately 57.38% to approximately 59.38%. Upon completion of the Second Capital Increase, the equity interest in the Target Company held by Varitronix (SZ) will be decreased from approximately 59.38% to approximately 50.47%. The Target Company will continue to be a subsidiary of the Company and the financial results of the Target Company will continue to be consolidated into those of the Group.

LISTING RULES IMPLICATIONS

Hefei New Economy is a substantial shareholder of a subsidiary of the Company and is thus a connected person of the Company. The Capital Increase constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The Capital Increase also constitutes a deemed disposal under Rule 14.29 of the Listing Rules.

Based on all applicable percentage ratios, (i) the First Capital Increase does not constitute a notifiable transaction under Chapter 14 of the Listing Rules, and (ii) the Capital Increase does not constitute a notifiable transaction under Chapter 14 of the Listing Rules and is exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

CAPITAL INCREASE AGREEMENT

The Board is pleased to announce that, on 3 March 2021 (after trading hours), the Target Company, Hefei New Economy, Anhui IV and AI (LP), Hefei Jiangchi (LP), Mr. Kang, Varitronix (SZ) and SZ Chicheng (LP) entered into the Capital Increase Agreement in relation to the Capital Increase.

The principal terms of the Capital Increase Agreement are set out below:

Date: 3 March 2021 (after trading hours)

Parties: (i) the Target Company
(ii) Hefei New Economy
(iii) Anhui IV&AI (LP)
(iv) Hefei Jiangchi (LP)
(v) Mr. Kang
(vi) Varitronix (SZ)
(vii) SZ Chicheng (LP)

Please refer to the section under the sub-heading “Information on the parties to the Capital Increase Agreement” for backgrounds and information of the above parties.

Capital Increase

First Capital Increase

Varitronix (SZ) will make capital increase of RMB8,000,000 into the Target Company, of which RMB7,869,959.93 will be included as the capital reserve (the “**First Capital Increase**”), within 10 Business Days from the fulfillment of condition (1) in the section under the sub-heading “Conditions precedent” below. Varitronix (SZ) will fund the First Capital Increase by internal resources of the Group.

Second Capital Increase

Upon completion of the First Capital Increase, Hefei New Economy and Anhui IV&AI (LP) will make capital increase of RMB20,000,000 and RMB10,000,000 into the Target Company, respectively, of which RMB29,512,349.74 will be included as the capital reserve (the “**Second Capital Increase**”). Hefei New Economy and Anhui IV&AI (LP) will make (i) the first payment of RMB6,000,000 and RMB3,000,000 within 10 Business Days from the fulfillment of condition (2) in the section under the sub-heading “Conditions precedent” below, respectively, and (ii) the second payment of RMB14,000,000 and RMB7,000,000 within 10 Business Days from the fulfillment of condition (3) in the section under the sub-heading “Conditions precedent” below, respectively.

The amount of the Capital Increase was determined after arm’s length negotiation among the parties to the Capital Increase Agreement with reference to (i) the funding needs of the Target Company in its ordinary and usual course of business, (ii) the growth prospects and future development plan of the Target Company, and (iii) the net liabilities of the Target Company as at 31 December 2020.

Conditions precedent

Completion is conditional upon:

- (1) the obligations of Varitronix (SZ) under the First Capital Increase are subject to the fulfillment of all the following conditions precedent (or waived by Varitronix (SZ)):
 - (a) the Capital Increase Agreement has been duly signed by all parties and has become effective;
 - (b) the Capital Increase Agreement has been approved by the shareholders or the board of directors of the Target Company (subject to the Target Company’s articles of association);

- (c) the investment committees of Hefei New Economy and Anhui IV&AI (LP) have approved the Capital Increase Agreement and the Capital Increase; and
 - (d) all representations and warranties made by the other parties in the Capital Increase Agreement are true, accurate and complete in all material respects;
- (2) the obligations of Hefei New Economy and Anhui IV&AI (LP) under the first payment of the Second Capital Increase are subject to the fulfillment of all the following conditions precedent (or waived by Hefei New Economy):
- (a) the Capital Increase Agreement has been approved by the shareholders or the board of directors of the Target Company (subject to the Target Company's articles of association);
 - (b) the Second Capital Increase has been approved by the shareholders or the board of directors of the Target Company (subject to the Target Company's articles of association);
 - (c) Hefei New Economy and Anhui IV&AI (LP) have completed the due diligence review of the Target Company and the results of such due diligence review are reasonably satisfactory to Hefei New Economy and Anhui IV&AI (LP); and
 - (d) all representations and warranties made by the Target Company and the existing shareholders of the Target Company in the Capital Increase Agreement are true, accurate and complete in all material respects; and
- (3) the obligations of Hefei New Economy and Anhui IV&AI (LP) under the second payment of the Second Capital Increase are subject to the fulfillment of all the following conditions precedent (or waived by Hefei New Economy):
- (a) the Target Company shall transfer its industrial and commercial and tax registration to Hefei High-tech Industrial Development Zone by 31 August 2021;
 - (b) the Second Capital Increase has been approved by the shareholders or the board of directors of the Target Company (subject to the Target Company's articles of association); and
 - (c) all representations and warranties made by the Target Company and the existing shareholders of the Target Company in the Capital Increase Agreement are true, accurate and complete in all material respects.

All parties to the Capital Increase Agreement shall use their best endeavor to ensure that conditions (1) and (2) above are fulfilled within 40 Business Days from the effective date of the Capital Increase Agreement. If such conditions are not fulfilled by the time specified or other timeframe as agreed by the relevant parties in writing, the relevant party(ies) shall have the right to unilaterally issue a written notice to the other parties and terminate the Capital Increase Agreement with immediate effect.

If the Target Company fails to complete condition (3)(a) above (save for force majeure or reasons caused by Hefei New Economy or Anhui IV&AI (LP)), Hefei New Economy and Anhui IV&AI (LP) shall have the right to terminate the Second Capital Increase.

Completion

Completion of the First Capital Increase shall take place when Varitronix (SZ) has paid RMB8,000,000 to the designated bank account of the Target Company. Upon completion of the First Capital Increase, the registered capital of the Target Company will be increased from RMB2,633,311.39 to RMB2,763,351.46 and the equity interest in the Target Company held by Varitronix (SZ) will be increased from approximately 57.38% to approximately 59.38%.

Completion of the Second Capital Increase shall take place when Hefei New Economy and Anhui IV&AI (LP) have paid RMB20,000,000 and RMB10,000,000 to the designated bank

account of the Target Company, respectively. Upon completion of the Second Capital Increase, the registered capital of the Target Company will be increased from RMB2,763,351.46 to RMB3,251,001.72 and the equity interest in the Target Company held by Varitronix (SZ) will be decreased from approximately 59.38% to approximately 50.47%.

Completion of the First Capital Increase is not conditional on the completion of the Second Capital Increase.

The shareholding structure of the Target Company (i) as at the date of this announcement, (ii) immediately upon completion of the First Capital Increase, and (iii) immediately upon completion of the Second Capital Increase, is set out below:

<i>Name of shareholder</i>	As at the date of this announcement		Immediately upon completion of the First Capital Increase		Immediately upon completion of the Second Capital Increase	
	<i>Registered capital (RMB)</i>	<i>Approx. %</i>	<i>Registered capital (RMB)</i>	<i>Approx. %</i>	<i>Registered capital (RMB)</i>	<i>Approx. %</i>
Varitronix (SZ)	1,510,862.41	57.38%	1,640,902.48	59.38%	1,640,902.48	50.47%
Hefei Jiangchi (LP)	1,000,000.00	37.97%	1,000,000.00	36.19%	1,000,000.00	30.76%
SZ Chicheng (LP)	122,448.98	4.65%	122,448.98	4.43%	122,448.98	3.77%
Hefei New Economy	-	-	-	-	325,100.17	10.00%
Anhui IV&AI (LP)	-	-	-	-	162,550.09	5.00%
Total	2,633,311.39	100.00%	2,763,351.46	100.00%	3,251,001.72	100.00%

Upon completion of the Capital Increase, the Target Company will continue to be a subsidiary of the Company and the financial results of the Target Company will continue to be consolidated into those of the Group.

INFORMATION ON THE TARGET COMPANY

The Target Company is incorporated in the PRC with limited liability on 24 May 2017 and is principally engaged in the design, technology development, manufacturing and sales of integrated circuits, optoelectronic products, electronic products, communication products, computer software, network terminals, automotive electronic terminal products and automotive system integration.

The financial information of the Target Company is as follows:

	Year ended 31 December 2019 (audited) (RMB'000)	Year ended 31 December 2020 (audited) (RMB'000)
Net loss before taxation	2,930	5,697
Net loss after taxation	2,930	5,697

The audited net liabilities of the Target Company as at 31 December 2020 was approximately RMB5.69 million.

INFORMATION ON THE PARTIES TO THE CAPITAL INCREASE AGREEMENT

Hefei New Economy

Hefei New Economy is a private equity fund and a state-owned enterprise, and is principally engaged in equity investment; equity investment consulting; entrepreneur investment; investment value-added services. Hefei New Economy owns 20% equity interest in Reheo Technology Company Limited* (睿合科技有限公司), a non-wholly owned subsidiary of the Company.

Anhui IV&AI (LP)

Anhui IV&AI (LP) is a private equity fund and a state-owned enterprise, and is principally engaged in equity investment; asset management; investment consulting; corporate management consulting.

Hefei Jiangchi (LP)

Hefei Jiangchi (LP), one of the existing shareholders of the Target Company, is a limited partnership incorporated in the PRC and is principally engaged in electronic product design, technology development, technology consulting, technology transfer and technical services; business management consulting. Mr. Kang is the general partner and the executive partner of Hefei Jiangchi (LP) and owns approximately 65.39% investment capital of Hefei Jiangchi (LP). The remaining approximately 34.61% investment capital of Hefei Jiangchi (LP) is owned by eight employees of the Target Company. Out of these approximately 34.61% investment capital of Hefei Jiangchi (LP), Mr. Xuqiang* (許強) owns approximately 15.58%, and each of the other seven employees of the Target Company owns less than approximately 6.50%. Mr. Xuqiang* (許強) is an optical engineer and responsible for optical design of the Target Company.

Mr. Kang

Mr. Kang is the founder and the chief executive officer of the Target Company and is responsible for its operation and management. He has more than 8 years of experience in technology and project management of automotive system.

Varitronix (SZ)

Varitronix (SZ), one of the existing shareholders of the Target Company, is a wholly-owned subsidiary of the Company and is principally engaged in display and electronic product technology research and development, design, production and processing, technical services, management information consulting, corporate marketing planning, industrial investment, domestic trade, import and export business.

SZ Chicheng (LP)

SZ Chicheng (LP), one of the existing shareholders of the Target Company, is a limited partnership incorporated in the PRC and is principally engaged in electronic product design, technology development, technology consulting, technology transfer and technical services; business management consulting. Mr. Kang is the general partner and the executive partner of SZ Chicheng (LP) and owns approximately 99.90% investment capital of SZ Chicheng (LP).

REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE

The Group was established in 1978 and the Shares were listed on the Main Board of the Stock Exchange in 1991. The Group is principally engaged in the automotive and industrial display business and has monochrome display manufacturing capacity and TFT (thin film transistor) and touch panel display module assembly capacity.

The Directors consider that the Capital Increase will enhance the working capital and broaden the capital base of the Target Company. The proceeds arising from the Capital Increase will be principally used in the operations and development of the Target Company. In addition, as mentioned in the interim report 2020 of the Company, the Group has a clear roadmap in developing high-value business areas with focus in integrated smart cockpit display system. After the completion of the Capital Increase, the Target Company can strengthen its research and development ability on Augmented Reality Head-up Display (**AR-HUD**) and assist the Group to achieve the strategic development target.

Hefei aims to be a new energy vehicle (**NEV**) industry base in the PRC, the Group's cooperation with local industrial funds can enlarge the resources invested in AR-HUD and utilizes the advantages of the local NEV industry base which can help to promote a rapid development of AR-HUD and related system business.

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

None of the Directors has any material interest in the Capital Increase Agreement, is in any way materially interested in the Capital Increase Agreement or is required to abstain from voting on the relevant resolution(s) of the Board.

FINANCIAL EFFECT OF THE CAPITAL INCREASE

Based on the latest audited financial statements of the Target Company as at 31 December 2020 and the amount of the Capital Increase, it is expected that no material gain or loss will be recorded by the Group as a result of the Capital Increase.

LISTING RULES IMPLICATIONS

Hefei New Economy is a substantial shareholder of a subsidiary of the Company and is thus a connected person of the Company. The Capital Increase constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The Capital Increase also constitutes a deemed disposal under Rule 14.29 of the Listing Rules.

Based on all applicable percentage ratios, (i) the First Capital Increase does not constitute a notifiable transaction under Chapter 14 of the Listing Rules, and (ii) the Capital Increase does not constitute a notifiable transaction under Chapter 14 of the Listing Rules and is exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Anhui IV&AI (LP)”	:	Anhui Intelligent Voice and Artificial Intelligence Venture Capital Partnership (Limited Partnership)* (安徽省智能語音及人工智能創業投資合伙企業(有限合伙))
“Board”	:	the board of Directors
“Business Day”	:	any day when banks in the PRC usually open for general banking business (except Saturday, Sunday and statutory holidays announced by the PRC government from time to time)
“Capital Increase”	:	the capital increase of an aggregate of RMB38,000,000 to the Target Company by Varitronix (SZ) (RMB8,000,000), Hefei New Economy (RMB20,000,000) and Anhui IV&AI (LP) (RMB10,000,000) under the Capital Increase Agreement
“Capital Increase Agreement”	:	the capital increase agreement dated 3 March 2021 entered into among the Target Company, Hefei New Economy, Anhui IV&AI (LP), Hefei Jiangchi (LP), Mr. Kang, Varitronix (SZ) and SZ Chicheng (LP) in relation to the Capital Increase
“Company”	:	BOE Varitronix Limited (stock code: 710), the Shares are listed on the Main Board of the Stock Exchange
“connected person”	:	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	:	director(s) of the Company
“Group”	:	the Company and its subsidiaries
“Hefei”	:	Hefei City in Anhui Province of the PRC
“Hefei Jiangchi (LP)”	:	Hefei Jiangchi Information Technology Partnership (Limited Partnership)* (合肥疆馳信息技術合伙企業(有限合伙))
“Hefei New Economy”	:	Hefei New Economy Industry Development Investment Co., Ltd.* (合肥新經濟產業發展投資有限公司)
“HK\$”	:	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	:	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	:	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Kang”	:	Mr. Kang Dong

“PRC”	:	the People’s Republic of China (which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan)
“RMB”	:	Renminbi, the lawful currency of the PRC
“Shares”	:	the ordinary share(s) of HK\$0.25 each in the share capital of the Company
“Stock Exchange”	:	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	:	has the same meaning ascribed to it under the Listing Rules
“SZ Chicheng (LP)”	:	Shenzhen Chicheng Excellence Technology Partnership (Limited Partnership)* (深圳馳騁卓越科技合夥企業(有限合夥))
“Target Company”	:	Shenzhen Jiangcheng Technology Co., Ltd.* (深圳疆程技術有限公司)
“Varitronix (SZ)”	:	Varitronix (Shenzhen) Automobile Technology Co. Ltd.* (精電(深圳)汽車技術有限公司)
“%”	:	per cent.

By Order of the Board
BOE Varitronix Limited
Gao Wenbao
Chairman

Hong Kong, 3 March 2021

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

** For identification purposes only*