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VARITRONIX INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 710)

CONNECTED TRANSACTION ACQUISITION OF TARGET ASSETS

Reference is made to the announcement (the “Announcement”) of the Company dated 13 January 2017, in relation to the Tenancy Agreement and the Related Agreements. Capitalized terms used herein shall have the same meaning as those defined in the Announcement unless otherwise stated.

On 20 February 2017 (after trading hours of the Stock Exchange), Varitronix (Chengdu), a wholly-owned subsidiary of the Company, and Chengdu BOE entered into the Acquisition Agreement, pursuant to which Varitronix (Chengdu) has agreed to acquire and Chengdu BOE has agreed to sell the Target Assets at the Consideration of RMB60,143,596.00 (equivalent to approximately HK\$67,962,263.48), which is satisfied by wire transfer within thirty (30) days after the signing of the Acquisition Agreement by Varitronix (Chengdu) to Chengdu BOE.

BOE (HK), a wholly-owned subsidiary of BOE, is the controlling shareholder of the Company, holding approximately 54.42% of the issued share capital of the Company as at the date of this announcement. Chengdu BOE 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 transaction as contemplated under the Acquisition Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, the transactions as contemplated under the Acquisition Agreement, the Tenancy Agreement and the Related Agreements (collectively, the “Aggregated Transaction”) are required to be aggregated. As certain applicable percentage ratios as set out in Rule 14.07 of the Listing Rules in respect of the transactions as contemplated under the Acquisition Agreement and the Aggregated Transaction exceed 0.1% but are less than 5% respectively, the transactions as contemplated under the Acquisition Agreement and the Aggregated Transaction on an aggregate basis are subject to the reporting and announcement requirements, but shall be exempted from the circular and shareholders’ approval requirements in accordance with Rule 14A.76(2) of the Listing Rules.

The Company will comply with the annual review and reporting requirements under Chapter 14A of the Listing Rules in relation to the Acquisition Agreement, the Tenancy Agreement and the Related Agreements.

Reference is made to the Announcement in relation to the Tenancy Agreement and the Related Agreements. Capitalized terms used herein shall have the same meaning as those defined in the Announcement unless otherwise stated.

THE ACQUISITION

On 20 February 2017 (after trading hours of the Stock Exchange), Varitronix (Chengdu), a wholly-owned subsidiary of the Company, and Chengdu BOE entered into the Acquisition Agreement, pursuant to which Varitronix (Chengdu) has agreed to acquire and Chengdu BOE has agreed to sell the Target Assets at the Consideration of RMB60,143,596.00 (equivalent to approximately HK\$67,962,263.48), which will be satisfied by wire transfer within thirty (30) days after the signing of the Acquisition Agreement by Varitronix (Chengdu) to Chengdu BOE.

PRINCIPAL TERMS OF THE ACQUISITION AGREEMENT

Date : 20 February 2017 (after trading hours of the Stock Exchange)

Parties

Purchaser : Varitronix (Chengdu)

Vendor : Chengdu BOE

The Target Assets

The Target Assets comprise the production equipment, office equipment, information technology (IT) equipment and other auxiliary tools and equipment which are located at the Premises.

Consideration and Payment

The Consideration is RMB60,143,596.00 (equivalent to approximately HK\$67,962,263.48) which is determined after arm's length negotiations between Varitronix (Chengdu) and Chengdu BOE with reference to the appraised value of the Target Assets as at 30 November 2016, as set out in the valuation report issued by Pan-China Assets Appraisal Co., Ltd, an independent valuer recognized by the competent PRC government authority. The appraised value of the Target Assets is RMB60,143,596.00 (equivalent to approximately HK\$67,962,263.48) as at 30 November 2016 whereas the book value of the Target Assets is RMB41,356,586.00 (equivalent to approximately HK\$46,732,942.18) as at 30 November 2016. The original acquisition cost of the Target Assets is RMB54,769,962.00 (equivalent to approximately HK\$61,890,057.06). The Consideration will be paid by wire transfer within thirty (30) days after the signing of the Acquisition Agreement by Varitronix (Chengdu) to Chengdu BOE.

Completion

The Completion took place upon the signing of the Acquisition Agreement on 20 February 2017 (after trading hours of the Stock Exchange). On the next day of the Completion, both Parties will check with the Target Assets and sign on the Confirmation Letter of Equipment Transfer (《設備移交確認函》). Chengdu BOE shall cooperate with Varitronix (Chengdu) in proceeding with the procedures for property right transfer.

REASONS FOR AND BENEFITS OF THE ACQUISITION

As set out in the circular of the Company dated 22 March 2016, BOE Group has established production facilities of TFT modules, the Group intends to leverage on the manufacturing resources of BOE and may consider to acquire such facilities to quickly expand its automobile TFT modules manufacturing business segment in view of the market trends and opportunities. Following completion of the Subscription, Varitronix (Chengdu) was set up for the business expansion of the Group's TFT business segment. The Board has considered the business needs of the Group and is of the view that additional production and office space are required for the operation and growth of the Group and the Premises, which is located in the premises of Chengdu BOE's TFT panel production facilities, fits the needs of the expansion. Therefore, the Group has entered into the Tenancy Agreement and the Related Agreements with Chengdu BOE on 13 January 2017. To strengthen the business operation in the TFT business segment of the Group, the Group acquired the Target Assets from Chengdu BOE. Through the Acquisition, the Group is able (i) to save the searching cost of identifying the various suitable equipment for the operation of TFT business; (ii) to simplify the procurement process by acquiring the Target Assets under a single transaction instead of entering into numerous purchasing agreements with different equipment vendors; and (iii) to save the installation time and cost of the Target Assets and the design and setup time of the production line.

The Directors (including the independent non-executive Directors) are of the view that the Acquisition Agreement was entered into in the ordinary and usual course of business of Varitronix (Chengdu) and on normal commercial terms or better and that the terms (including the Consideration) of the Acquisition Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Each of Mr. Yao Xiangjun ("Mr. Yao"), an executive Director, and Mr. Dong Xue ("Mr. Dong"), a non-executive Director, held 100,000 A shares of BOE as at the date of this announcement. In addition, Mr. Yao is a director and a member of executive committee of BOE, a senior vice president, a joint chief operating officer and the chief executive officer of the smart system business group of BOE. Mr. Yao is also a president of BOE Optoelectronics Technology Co., Ltd., Beijing BOE Vision-electronic Technology Co., Ltd., Beijing BOE Multimedia Science & Technology Co., Ltd. and Beijing Intelligence Science & Technology Co., Ltd. Mr. Dong is a vice president and the chief technical officer for display panel business of BOE. Moreover, Mr. Su Ning ("Mr. Su"), an executive Director, is the general manager of the application business department of Beijing BOE Display Technology Co., Ltd., a subsidiary of BOE. Ms. Yang Xiaoping ("Ms. Yang"), a non-executive Director, is a vice president and a deputy financial controller of BOE. Ms. Yang is also a director or supervisor of a number of subsidiaries of BOE. Mr. Yuan Feng ("Mr. Yuan"), a non-executive

Director, is a vice president and the chief sales marketing officer China of BOE. Mr. Yuan is also the chairman of the board of directors of Beijing BOE Sales Co., Ltd, a subsidiary of BOE, and a director of a number of subsidiaries of BOE.

Mr. Yao, Mr. Dong, Mr. Su, Ms. Yang and Mr. Yuan present at the Board meeting were not counted in the quorum and they have abstained from voting at the Board meeting to approve under the Acquisition Agreement and the Consideration. Save as disclosed above, none of the Directors attending the Board meeting has a material interest in or is required to abstain from voting on the Acquisition Agreement.

CONNECTED PERSON

BOE (HK), a wholly-owned subsidiary of BOE, is the controlling shareholder of the Company, holding approximately 54.42% of the issued share capital of the Company as at the date of this announcement. Chengdu BOE 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 transaction as contemplated under the Acquisition Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to Rule 14A.81 of the Listing Rules, the transactions as contemplated under the Aggregated Transaction are required to be aggregated. As certain applicable percentage ratios as set out in Rule 14.07 of the Listing Rules in respect of the transactions as contemplated under the Acquisition Agreement and the Aggregated Transaction exceed 0.1% but are less than 5% respectively, the transactions as contemplated under the Acquisition Agreement and the Aggregated Transaction on an aggregate basis are subject to the reporting and announcement requirements, but shall be exempted from the circular and shareholders' approval requirements in accordance with Rule 14A.76(2) of the Listing Rules.

The Company will comply with the annual review and reporting requirements under Chapter 14A of the Listing Rules in relation to the Acquisition Agreement, the Tenancy Agreement and the Related Agreements.

GENERAL INFORMATION

The Group was established in 1978 and built its factories in the PRC in 1983. The Group is principally engaged in automobile display products and has monochrome display manufacturing capacity. The Shares were listed on the Main Board of the Stock Exchange in 1991. Since its incorporation, the Company has been combining scientific and technological research, innovative product design, flexible product specifications and efficient manufacturing for many applications, including automotive components, industrial and consumer products, also providing complete display

solutions for its customers. In addition to supplying standard products, the Group also provides tailor-made LCDs and modules for the specific needs of its customers.

Varitronix (Chengdu) is a wholly-owned subsidiary of the Company and is principally engaged in research and development, design, production, processing and sales of flat panel display, display module, touch panel and other electronic products; thin film transistor liquid crystal display (TFT-LCD), plasma display panel (PDP), organic light-emitting diode (OLED) and other flat panel display and display materials.

BOE was founded in April 1993 and the issued shares of which are listed on the Shenzhen Stock Exchange. It 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, TVs, vehicle displays and digital information displays.

Chengdu BOE is a wholly-owned subsidiary of BOE and an associate of BOE (HK) 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.

DEFINITIONS

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

- “associate(s)” : has the same meaning as ascribed to it under the Listing Rules
- “Acquisition” : the acquisition of the Target Assets pursuant to the Acquisition Agreement
- “Acquisition Agreement” : the equipment transfer agreement dated 20 February 2017 entered into between Varitronix (Chengdu) and Chengdu BOE in respect of the Acquisition
- “Completion” : completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
- “connected person(s)” : has the same meaning as ascribed to it under the Listing Rules
- “Consideration” : the consideration of RMB60,143,596.00 (equivalent to approximately HK\$67,962,263.48) payable by Varitronix (Chengdu) to Chengdu BOE for the acquisition of the Target Assets under the Acquisition Agreement
- “controlling shareholder” : has the same meaning as ascribed to it under the Listing Rules

- “Target Assets” : certain assets held by Chengdu BOE, details of which are set out in the subsection headed “The Target Assets”
- “Varitronix (Chengdu)” : Varitronix (Chengdu) Display Technology Co. Ltd., a company incorporated in Chengdu with limited liability, is a wholly-owned subsidiary of the Company

For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1.00=HK\$1.13 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
Varitronix International Limited
Yao Xiangjun
Chairman

Hong Kong, 20 February 2017

As at the date of this announcement, the Board comprises nine Directors, of whom Mr. Yao Xiangjun, Ms. Ko Wing Yan, Samantha and Mr. Su Ning are executive Directors, Ms. Yang Xiaoping, Mr. Dong Xue and Mr. Yuan Feng are non-executive Directors, and Mr. Fung, Yuk Kan Peter, Mr. Chu, Howard Ho Hwa and Mr. Hou Ziqiang are independent non-executive Directors.