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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in BOE VARITRONIX LIMITED, you should at once hand this circular and the enclosed proxy form to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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

**MAJOR AND CONNECTED TRANSACTION  
PROPOSED CAPITAL INCREASE IN THE JOINT VENTURE  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

**Financial Adviser to the Company**



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



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A letter from the Board is set out on pages 5 to 14 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 15 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 33 of this circular.

A notice convening the SGM of the Company to be held at Units A-F, 35/F., Legend Tower, No. 7 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong on Thursday, 23 December 2021 at 10 a.m. is set out on pages SGM-1 to SGM-2 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return it to the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the meeting or any adjourned meeting. Completion and return of the proxy form will not preclude you from attending and voting in person at the meeting or any adjourned meeting if you so wish.

Hong Kong, 2 December 2021

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings unless the context requires otherwise:*

|                              |   |  |
|------------------------------|---|--|
| “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 Group”                  | : | BOE and its subsidiaries (excluding the Group for the purposes of this circular)   |
| “BOE(HK)”                    | : | BOE Technology (HK) Limited, a company incorporated in Hong Kong with limited liability, 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 the Joint Venture on 28 October 2021  |
| “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   |
| “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 incorporated 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   |

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## DEFINITIONS

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- “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 Capital Increase Agreement and the transactions contemplated thereunder
- “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 Capital Increase Agreement and the transactions contemplated thereunder
- “Independent Shareholders” : Shareholders other than BOE(HK) and its associates
- “Joint Venture” : Chengdu BOE Automotive Electronic Limited\* (成都京東方汽車電子有限公司), a company incorporated in the PRC with limited liability pursuant to the Shareholders’ Agreement entered into among Link Score, Hefei BOE and BOE on 20 August 2021, and a non-wholly owned subsidiary of the Company
- “Latest Practicable Date” : 29 November 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
- “Link Score” : Link Score Investment Limited\* (年加投資有限公司), 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
- “PRC” : the People’s Republic of China (which for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region and Taiwan)
- “Previous Transaction” : the formation of the Joint Venture, details of which are set out in the announcement of the Company dated 20 August 2021

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## DEFINITIONS

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|------------------------------|---|---|
| “RMB”                        | : | Renminbi, the lawful currency of the PRC  |
| “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 Capital Increase Agreement and the transactions contemplated thereunder |
| “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)   |
| “Shareholders’ Agreement”    | : | the agreement entered into among Link Score, Hefei BOE and BOE on 20 August 2021 in relation to the formation of the Joint Venture  |
| “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  |

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LETTER FROM THE BOARD

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**BOE**

**BOE VARITRONIX LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 710)**

***Directors:***

*Executive Directors:*

Mr. Gao Wenbao (*Chairman*)

Ms. Ko Wing Yan, Samantha

Mr. Su Ning

*Non-executive Directors:*

Mr. Shao Xibin

Mr. Jin Hao

Ms. Zhang Shujun

*Independent Non-executive Directors:*

Mr. Fung, Yuk Kan Peter

Mr. Chu, Howard Ho Hwa

Mr. Hou Ziqiang

***Registered Office:***

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

***Head Office and Principal***

***Place of Business:***

Units A-F, 35/F

Legend Tower

No. 7 Shing Yip Street

Kwun Tong

Kowloon

Hong Kong

2 December 2021

*To the Shareholders*

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION  
PROPOSED CAPITAL INCREASE IN THE JOINT VENTURE  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

**1. INTRODUCTION**

Reference is made to the announcements of the Company dated 20 August 2021 and 28 October 2021 in relation to the Previous Transaction and the Capital Increase.

On 28 October 2021 (after trading hours), the Board announced that Link Score, Hefei BOE, BOE and the Joint Venture entered into the Capital Increase Agreement, pursuant to which each of Link Score, Hefei BOE and BOE has conditionally agreed to make the Capital Increase in cash to the Joint Venture of RMB270 million, RMB540 million and RMB540 million respectively.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with information regarding (i) further details of the Capital Increase Agreement and the transactions contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Capital Increase Agreement and the transactions contemplated thereunder; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Capital Increase Agreement and the transactions contemplated thereunder; (iv) a notice convening the SGM; and (v) other information required under the Listing Rules.

### 2. 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 and touch panel display module assembly capacity. In 2020, the Group's revenue increased by approximately 27% and the profit attributable to Shareholders recorded a significant increase of approximately 170% comparing to that of 2019. The TFT module business and touch panel display module business continued to achieve remarkable growth during 2020 and contributed over 75% of the Group's 2020 revenue in total. According to the Company's 2021 interim report, the Group's revenue and profit attributable to Shareholders for the six months ended 30 June 2021 increased by approximately 69% and 423% respectively, when compared with the amounts for the first half of 2020. The revenue from the sales of TFT modules and touch panel display modules accounted for approximately 81% of the Group's total revenue during the first half of 2021. The major growth engine in this period is from the PRC in which the automotive market has experienced a fast recovery from the impact of the COVID-19 pandemic.

Looking forward, the Group expects the momentum of growth will continue throughout the second half of 2021 based on the Group's sales order status of mass production projects. Thus, the Group's revenue and profit are expected to increase further in the second half of 2021 comparing to the first half of 2021, as it is expected that further economies of scales will be achieved through the sales increases. The growth engine mainly comes from the TFT and touch panel modules orders of the PRC for both conventional vehicles and new energy vehicles. The Group has established strategic cooperation with a number of major PRC automobile manufacturers as well as Tier-1 manufacturers in recent years and has been deepening our cooperation through the Group's active product and technology promotions. The Group has also been actively cooperating with new energy vehicle manufacturers in the PRC to increase its market share in this fast-growing market in coming years.

In view of the positive outlook of the automotive display business, especially in the PRC, the Group believes that the investment in the proposed automotive display manufacturing project in Chengdu (the "Project") through the Joint Venture 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 estimated investment amount of the Project is RMB2,500 million, in which (a) approximately 2% will be used for the acquisition of land; (b) approximately 28% will be allocated for the plant construction; (c) about one-third of the amount will be used as the working capital for daily operation of the Joint Venture; and (d) the remaining amount will be mainly used for purchases of various equipment. 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

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## LETTER FROM THE BOARD

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display devices. It is expected that the Joint Venture will commence production in early 2023 and the expansion of the TFT and touch panel display module manufacturing facilities in the PRC through the Joint Venture will decrease the amount of the Group's purchase transactions (purchases of TFT panels, TFT modules and other products from BOE) as contemplated under the renewed master purchase agreement entered between the Company and BOE dated 6 September 2021.

Based on research and discussions, Link Score, Hefei BOE and BOE have set the development goals of the Joint Venture and intended to increase the capital amount of the Joint Venture in order to carry out the Project. Upon completion of the Capital Increase, the registered capital of the Joint Venture will be increased from RMB150 million to RMB1,500 million to build a production base for the manufacturing of automotive display devices which is expected to commence production in early 2023. For the registered capital of RMB1,500 million, it is expected that (a) approximately 3% will be used for the acquisition of land; (b) approximately 38% will be allocated for the plant construction; (c) approximately 22% will be used as the working capital for daily operation of the Joint Venture; and (d) the remaining amount will be mainly used for purchases of various equipment. The production base will be composed of facilities in relation to, among others, production and ancillary production facilities, amenities, power, environmental protection, safety measures and fire control. Other than the amount allocated for the working capital for daily operation of the Joint Venture after the commencement of production in early 2023, the rest of the registered capital of the Joint Venture is expected to be used by 2022. The Capital Increase to be made by Link Score and Hefei BOE may be financed by the internal resources of the Group and/or external funding. The difference between the expected total investment amount of the Project of RMB2,500 million and the registered capital of the Joint Venture upon completion of the Capital Increase of RMB1,500 million, is expected to be satisfied by the Joint Venture through external funding. If the Joint Venture is unable to proceed with the Project, Link Score, Hefei BOE and BOE agreed to de-register the Joint Venture (if necessary) without recourse.

In view of the above, the Directors (including the independent non-executive Directors after considering the letter of advice from the Independent Financial Adviser) are of the view that the terms of the Capital Increase Agreement and the transactions contemplated thereunder are fair and reasonable and on normal commercial terms, and the Capital Increase Agreement and the transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

### 3. PRINCIPAL TERMS OF THE CAPITAL INCREASE AGREEMENT

- Date : 28 October 2021
- Parties : (1) Link Score, a wholly-owned subsidiary of the Company;
- (2) Hefei BOE, a wholly-owned subsidiary of the Company;
- (3) BOE; and
- (4) the Joint Venture, a non-wholly owned subsidiary of the Company.



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## LETTER FROM THE BOARD

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Effective date of the Capital Increase Agreement : The Capital Increase Agreement is established after being signed and affixed with company chop by all parties, and will become effective upon the following conditions having been met:

- (1) the approval having been obtained in the SGM of the Company, being the controlling shareholder of Link Score and Hefei BOE, according to the requirements of the Listing Rules; and
- (2) the approval having been obtained from the authorities with the rights to approve the Capital Increase by BOE.

Capital Increase : Pursuant to the Capital Increase Agreement, the following parties have conditionally agreed to make capital increase into the Joint Venture in an aggregate sum of RMB1,350 million in cash in proportion to their existing shareholding percentage in the Joint Venture:

- (1) Link Score has conditionally agreed to make capital increase of RMB270 million into the Joint Venture;
- (2) Hefei BOE has conditionally agreed to make capital increase of RMB540 million into the Joint Venture; and
- (3) BOE has conditionally agreed to make capital increase of RMB540 million into the Joint Venture.

Parties to the Capital Increase Agreement shall pay their respective Capital Increase amount within 14 days after the Joint Venture issued the payment notice (in any case the whole amount of the Capital Increase shall be fully settled by 31 December 2026). It is expected that the total amount of the Capital Increase will be paid by the parties in 2022.

The total amount of the Capital Increase under the Capital Increase Agreement was determined after arm's length negotiations among the parties, with reference to the capital required to build a production base for the manufacturing of automotive display devices (including but not limited to TFT and touch panel display modules).

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## LETTER FROM THE BOARD

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Upon completion of the Capital Increase, the registered capital of the Joint Venture will be increased from RMB150 million to RMB1,500 million. The Joint Venture will continue to be a non-wholly owned subsidiary of the Company.

The following table sets out the shareholding structure of the Joint Venture as at the Latest Practicable Date and upon the completion of the Capital Increase:

| Name of shareholder | As at the Latest Practicable Date |                                      | Upon completion of the Capital Increase |                                      |
|---------------------|-----------------------------------|--------------------------------------|---|--------------------------------------|
|                     | Capital contribution<br>(RMB)     | Interest in the Joint Venture<br>(%) | Capital contribution<br>(RMB)           | Interest in the Joint Venture<br>(%) |
| Link Score          | 30,000,000                        | 20                                   | 300,000,000                             | 20                                   |
| Hefei BOE           | 60,000,000                        | 40                                   | 600,000,000                             | 40                                   |
| BOE                 | 60,000,000                        | 40                                   | 600,000,000                             | 40                                   |
| <b>Total</b>        | <u>150,000,000</u>                | <u>100</u>                           | <u>1,500,000,000</u>                    | <u>100</u>                           |

Completion : Completion of the Capital Increase will take place after the Joint Venture has completed the industrial and commercial registration in relation to the Capital Increase and obtained a new business license.

#### 4. INFORMATION ON THE PARTIES TO THE CAPITAL INCREASE AGREEMENT

Link Score is a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

Hefei BOE is a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company. It is principally engaged in design, manufacturing and sales of display related products.

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, TVs, 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, TVs, vehicle displays and digital information displays. The Group is the sole platform of automotive display module and system business within the BOE Group.

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## LETTER FROM THE BOARD

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The Joint Venture is a company incorporated in the PRC with limited liability and a non-wholly owned subsidiary of the Company. It is principally engaged in, among other things, manufacturing and sales of automotive equipment and display devices.

### 5. FINANCIAL EFFECTS ON THE GROUP

Upon completion of the Capital Increase, 60% and 40% of the registered capital of the Joint Venture will remain to be owned by the Company (through Link Score and Hefei BOE) and BOE respectively, and accordingly, the Joint Venture will continue to be a non-wholly owned subsidiary of the Company. The financial results, assets and liabilities of the Joint Venture will be consolidated into the consolidated financial statements of the Group. It is expected that the Joint Venture will commence production in early 2023 and enhance the revenue stream and broaden the earnings base of the Group in the future.

The capital contribution to be made by Link Score and Hefei BOE (being subsidiaries of the Company) into the Joint Venture in an aggregate sum of RMB900 million in cash would not affect the cash and cash equivalents balance of the Group, but the capital of RMB600 million to be contributed by BOE would increase the cash and cash equivalents of the Group. The amount of capital contribution of RMB600 million (equivalent to approximately HK\$732 million at the exchange rate of RMB1 to HK\$1.22) to be made by BOE represents approximately 45.7% of the cash and cash equivalents or approximately 32.2% of the net current assets of the Group as at 30 June 2021. The amount of the capital contribution of RMB600 million (equivalent to approximately HK\$732 million at the exchange rate of RMB1 to HK\$1.22) to be made by BOE is same as the non-controlling interests amount of the Group to be increased. Given that the Capital Increase to be made by Link Score and Hefei BOE may be financed by the internal resources of the Group and/or external funding, the Capital Increase may increase the total amount of the debt and the gearing ratio of the Group.

### 6. LISTING RULES IMPLICATIONS

BOE(HK), a wholly-owned subsidiary of BOE, is a substantial shareholder of the Company holding approximately 54.34% of the issued share capital of the Company as at the Latest Practicable Date. BOE is an associate of BOE(HK) and is thus a connected person of the Company under the Listing Rules. As BOE, being a connected person of the Company, can directly exercise more than 10% of the voting power at the Joint Venture's general meeting, the Joint Venture is regarded as a connected subsidiary of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Capital Increase Agreement constitute connected transactions of the Company.

One of the applicable percentage ratios in respect of the Capital Increase, when aggregated with the Previous Transaction which was conducted within 12 months of the Capital Increase, is more than 25% but all applicable percentage ratios are less than 100%. As such, the transactions contemplated under the Capital Increase Agreement, when aggregated with the

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## LETTER FROM THE BOARD

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Previous Transaction, constitute major and connected transactions of the Company and are subject to reporting, announcement, circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, 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 Capital Increase Agreement and the transactions contemplated thereunder, and thus have abstained from voting on the relevant Board resolutions.

### **7. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

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 Capital Increase Agreement and the transactions contemplated thereunder.

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 Capital Increase Agreement and the transactions contemplated thereunder.

### **8. GENERAL**

A notice convening the SGM is set out on pages SGM-1 to SGM-2 of this circular. The SGM will be convened and held with a combination of (a) a physical meeting at Units A-F, 35/F., Legend Tower, No. 7 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong; and (b) a virtual meeting online on Thursday, 23 December 2021 at 10 a.m. for the purposes of considering and, if thought fit, approving the Capital Increase Agreement and the transactions contemplated thereunder. The voting in relation to the Capital Increase Agreement and the transactions contemplated thereunder will be conducted by way of a poll.

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## LETTER FROM THE BOARD

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A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return it to the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the meeting or any adjourned meeting. Completion and return of the proxy form will not preclude you from attending and voting in person at the meeting or any adjourned meeting if you so wish.

The register of members of the Company will be closed from Monday, 20 December 2021 to Thursday, 23 December 2021 (both days inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the SGM, all transfers of shares accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited, of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 17 December 2021.

Any Shareholders with a material interest in the Capital Increase Agreement and the transactions contemplated thereunder shall abstain from voting on the relevant resolutions at the SGM. BOE(HK), a substantial shareholder of the Company and a subsidiary of BOE having material interest in the Capital Increase Agreement and the transactions contemplated thereunder, is required to abstain from voting at the SGM. As at the Latest Practicable Date, BOE(HK) held 400,000,000 Shares, representing approximately 54.34% of the total issued share capital of the Company. Save for BOE(HK), as at the Latest Practicable Date, to the best knowledge of the Directors, no other Shareholders would be required to abstain from voting on the relevant resolutions at the SGM.

### **9. RECOMMENDATION**

The Directors (including the independent non-executive Directors after considering the letter of advice from the Independent Financial Adviser) consider that the terms of the Capital Increase Agreement and the transactions contemplated thereunder are fair and reasonable and on normal commercial terms, and the Capital Increase Agreement and the transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant resolutions.

Your attention is drawn to:

- (a) the letter of recommendation from the Independent Board Committee containing its recommendation to the Independent Shareholders, the text of which is set out on page 15 of this circular; and

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## LETTER FROM THE BOARD

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- (b) the letter of advice from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 16 to 33 of this circular.

### **10. HYBRID SGM**

The Company will conduct a hybrid SGM using Computershare e-Meeting System, which allows Shareholders to participate the SGM online in a convenient and efficient way from anywhere with an internet connection. Shareholders will be able to view the live video broadcast and participate in voting and submit questions in written form to the SGM via their mobile phones, tablet, or computers. The live broadcast option can also broaden the reach of the SGM to Shareholders who do not wish to attend physically due to concerns on attending large scale events under the current COVID-19 situation, or for other overseas Shareholders who are unable to attend in person.

Although Shareholders are welcome to attend the SGM physically in person if they so wish, the Company strongly recommends Shareholders to attend the SGM via the online option in view of the current development of COVID-19. The Company will also be undertaking the following precautionary measures to safeguard the health and well-being of Shareholders (or their proxies) who are attending the SGM in person, including temperature screening, requiring all participants to wear surgical face mask, plus safe distancing measures for queue management and seating at the meeting venue.

For online voting at the SGM, Shareholders can refer to our enclosed letter and the Online Meeting User Guide (by visiting the hyperlink) for details. If you have any queries on the above, please contact the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, via their hotline at (852) 2862 8555 from 9:00 a.m. to 5:00 p.m. (Monday to Friday, excluding Hong Kong public holidays).

### **11. HOW TO VOTE AT THE SGM**

Shareholders who wish to attend the SGM and exercise their voting rights can be achieved in one of the following ways:

- (1) attend the SGM in person and vote via smartphones or designated mobile devices at the SGM venue; OR
- (2) attend the SGM via Computershare e-Meeting System which enables live streaming and interactive platform for Q&A and submit their voting online; OR
- (3) appoint Chairman of the SGM or other persons as your proxy to vote on your behalf.

Your proxy's authority and instruction will be revoked if you attend and vote in person at the SGM or via the Computershare e-Meeting System.

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## LETTER FROM THE BOARD

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Non-registered holders whose shares of the Company are held in the Central Clearing and Settlement System through banks, brokers, custodians or Hong Kong Securities Clearing Company Limited may be able to attend the SGM, vote and submit questions online. In this regard, they should consult directly with their banks, brokers or custodians (as the case may be) for the necessary arrangements.

For corporate Shareholders who wish to attend the SGM and to vote online, please contact the Company's Hong Kong branch share registrar and transfer office at (852) 2862 8555 on or before 17 December 2021 for arrangement.

### 12. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information as set out in the appendices to this circular.

Yours faithfully,  
By Order of the Board  
**BOE Varitronix Limited**  
**Mr. Gao Wenbao**  
*Chairman*

\* *For identification purposes only*



**BOE VARITRONIX LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 710)**

2 December 2021

*To the Independent Shareholders*

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION  
PROPOSED CAPITAL INCREASE IN THE JOINT VENTURE**

We refer to the circular of the Company dated 2 December 2021 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

We have been appointed to form the Independent Board Committee to advise you as to whether, in our opinion, the terms of the Capital Increase Agreement and the transactions contemplated thereunder are fair and reasonable and on normal commercial terms, and whether the Capital Increase Agreement and the transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Opus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Details of their independent advice, together with the principal factors and reasons they have taken into consideration, are set out on pages 16 to 33 of the Circular.

Having considered the terms of Capital Increase Agreement and the advice of the Independent Financial Adviser, we are of the opinion that the terms of the Capital Increase Agreement and the transactions contemplated thereunder are fair and reasonable and on normal commercial terms, and the Capital Increase Agreement and the transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Capital Increase Agreement and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of the  
**Independent Board Committee**

Fung, Yuk Kan Peter

Chu, Howard Ho Hwa

Hou Ziqiang

*Independent non-executive Directors*



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Set out below is the text of a letter from Opus Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Capital Increase Agreement and the transactions contemplated thereunder for the purpose of inclusion in this circular.



18th Floor, Fung House  
19-20 Connaught Road Central  
Central, Hong Kong

2 December 2021

To: *The Independent Board Committee and the Independent Shareholders of BOE Varitronix Limited*

Dear Sir or Madam,

### **MAJOR AND CONNECTED TRANSACTION PROPOSED CAPITAL INCREASE IN THE JOINT VENTURE**

#### **INTRODUCTION**

We refer to our appointment by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Capital Increase Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 2 December 2021 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the announcement of the Company dated 20 August 2021 in relation to the Previous Transaction. On 28 October 2021 (after trading hours), Link Score, Hefei BOE, BOE (collectively, the “**JV Partners**”, each a “**JV Partner**”) and the Joint Venture entered into the Capital Increase Agreement. Pursuant to the Capital Increase Agreement, each of Link Score, Hefei BOE and BOE has conditionally agreed to make the Capital Increase in cash to the Joint Venture of RMB270 million, RMB540 million and RMB540 million respectively.

BOE(HK), a wholly-owned subsidiary of BOE, is a substantial shareholder of the Company holding approximately 54.34% of the issued share capital of the Company as at the Latest Practicable Date. BOE is an associate of BOE(HK) and is thus a connected person of the Company under the Listing Rules. As BOE, being a connected person of the Company, can directly exercise more than 10% of the voting power at the Joint Venture’s general meeting, the Joint Venture is regarded as a connected subsidiary of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Capital Increase Agreement constitute connected transactions of the Company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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One of the applicable percentage ratios in respect of the Capital Increase, when aggregated with the Previous Transaction which was conducted within 12 months of the Capital Increase, is more than 25% but all applicable percentage ratios are less than 100%. As such, the transactions contemplated under the Capital Increase Agreement, when aggregated with the Previous Transaction, constitute major and connected transactions of the Company and are subject to reporting, announcement, circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, 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 Capital Increase Agreement and the transactions contemplated thereunder, and thus have abstained from voting on the relevant Board resolutions.

In respect of the voting at the SGM, any Shareholders with a material interest in the Capital Increase Agreement and the transactions contemplated thereunder shall abstain from voting on the relevant resolutions at the SGM. BOE(HK), a substantial shareholder of the Company and a subsidiary of BOE, having material interest in the Capital Increase Agreement and the transactions contemplated thereunder, is required to abstain from voting at the SGM. As at the Latest Practicable Date, BOE(HK) held 400,000,000 Shares, representing approximately 54.34% of the total issued share capital of the Company. Save for BOE(HK), as at the Latest Practicable Date, to the best knowledge of the Directors, no other Shareholders would be required to abstain from voting on the relevant resolutions at the SGM.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee of the Company comprising Mr. Fung, Yuk Kan Peter, Mr. Chu, Howard Ho Hwa and Mr. Hou Ziqiang, all being independent non-executive Directors, has been established to consider and make a recommendation to the Independent Shareholders on: (i) whether the terms of the Capital Increase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole; (ii) whether the Capital Increase is entered into in the ordinary and usual course of business of the Group; (iii) whether the terms of the Capital Increase Agreement are on normal commercial terms; and (iv) how the Independent Shareholders should vote in respect to the relevant resolutions to be proposed at the SGM to approve the Capital Increase Agreement and the transactions contemplated thereunder. Our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in the same respect has been approved by the Independent Board Committee pursuant to the Rule 13.84 of the Listing Rules.

### OUR INDEPENDENCE

We were appointed as the independent financial adviser to advise the independent board committee and the independent shareholders of the Company in respect of the revision of annual caps and the renewal of a master purchase agreement (the “**Renewed Master Purchase Agreement**”) entered into between the Company and BOE on 6 September 2021 (the “**Previous Appointment**”), which is set out in the circular of the Company dated 30 September 2021. The relevant transactions are independent of the transactions contemplated under the Capital Increase Agreement.

As at the Latest Practicable Date, we did not have any relationship with, or interest in, the Group, BOE or other parties that could reasonably be regarded as relevant to our independence. During the two years immediately prior to the date of this appointment, save for the Previous Appointment, we have not; (i) acted in the capacity as a financial adviser or as an independent financial adviser to the Company; (ii) provided any services to the Company; or (iii) had any relationship with the Company. Apart from normal independent financial advisory fee paid or payable to us in connection with the Previous Appointment and the current appointment, no arrangements exist whereby we had received or will receive any fees or benefits from the Group, BOE or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider ourselves independent pursuant to Rule 13.84 of the Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, amongst other things:

- (i) the Company's interim report (the "**2021 Interim Report**") for the six months ended 30 June ("**1H**") 2021;
- (ii) the Company's annual report for the year ended 31 December ("**FY**") 2020 (the "**2020 Annual Report**");
- (iii) the Capital Increase Agreement;
- (iv) the shareholders' agreement entered into among Link Score, Hefei BOE and BOE on 20 August 2021; (the "**Shareholders' Agreement**")
- (v) the announcement of the Company dated 20 August 2021 in relation to the Previous Transaction (the "**JV Announcement**");
- (vi) the circular of the Company dated 30 September 2021 in relation to the Renewed Master Purchase Agreement (the "**CCT Circular**"); and
- (vii) other information as set out in the Circular.

We have relied on the truth, accuracy and completeness of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Company, the Directors and the management of the Group (collectively, the "**Management**"). We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the SGM.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the circular, the omission of which make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the circular, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided by the Management, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

The Directors jointly and severally accept full responsibility for the accuracy of the information disclosed and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts not contained in this letter, the omission of which would make any statement herein misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration of the terms of the Capital Increase Agreement and the transactions contemplated thereunder, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion in respect of the Capital Increase Agreement and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

#### **1. Principal activities and business strategy of the Group**

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 module assembly capacity. 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 liquid crystal display (“LCDs”) and modules for the specific needs of its customers. 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 is derived from this business segment. With over 15 years of solid experience in serving customers in the automotive industry, the Group has accumulated extensive experience and built sound reputation in manufacturing products according to customers’ specific requirements, specific modular assembly technologies and stringent product quality control. Furthermore, the Group has established a stable customer network in automotive industry after over 15 years of serving customers in this industry and has its own marketing team in the PRC, Hong Kong, Asia, Europe and the United States which has been set up for over 10 years.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The following is a summary of the financial results of the Group for each of the FY2019 and FY2020 and 1H2021, as extracted from the 2020 Annual Report and the 2021 Interim Report:

**Table 1: Highlights of the financial results of the Group**

|   | Unaudited            |                      | Audited              |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | 1H2021<br>(HK\$'000) | 1H2020<br>(HK\$'000) | FY2020<br>(HK\$'000) | FY2019<br>(HK\$'000) |
| Revenue   | 3,200,005            | 1,898,299            | 4,526,914            | 3,573,978            |
| Profit from operations                            | 95,569               | 19,936               | 70,443               | 29,440               |
| Profit before tax                                 | 94,862               | 18,784               | 68,015               | 28,350               |
| Profit for the period/year<br>attributable to the |                      |                      |                      |                      |
| Shareholders                                      | 95,105               | 18,182               | 68,639               | 25,020               |
| Profit margin (%)                                 | 3.0                  | 1.0                  | 1.5                  | 0.7                  |

*Sources: the 2021 Interim Report and the 2020 Annual Report*

During FY2020, the Group recorded revenue of approximately HK\$4,527 million, representing an increase of approximately 27% from approximately HK\$3,574 million for FY2019. Such increase in revenue was mainly derived from the increase in the automotive display business by approximately 33%, from the revenue of approximately HK\$2,589 million recorded in FY2019 to a revenue of approximately HK\$3,450 million. This business represented approximately 76% of the Group's overall revenue for FY2020.

The Group recorded profit attributable to the Shareholders of approximately HK\$69 million for FY2020, representing a significant increase of approximately 170% from HK\$25 million for FY2019. The significant increase in profit attributable to the Shareholders was mainly attributable to the increase of gross profit contributed by the increase in revenue, and the decrease in operating expenses as a result of cost-optimising and efficiency management actions implemented by the Group.

The Group recorded revenue of approximately HK\$3,200 million for 1H2021, representing an increase of approximately 69% from approximately HK\$1,898 million for 1H2020. The profit attributable to the Shareholders was approximately HK\$95 million, representing an increase of approximately 423%, when compared with HK\$18 million recorded during 1H2020. The significant growth in revenue was mainly attributable to: (i) the recovery of the Group's business from the impact of the COVID-19 pandemic (the "Pandemic") and the automotive display business continued to grow notably from the second half ("2H") of FY2020 and throughout 1H2021; (ii) the major growth engine was from the PRC in which the automotive market has experienced a fast recovery from the impact of the Pandemic; and (iii) the sale of TFT modules and TP display modules which contributed by commencement of mass production of new projects being awarded in the prior years. The significant increase in the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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profit attributable to the Shareholders during 1H2021 was mainly derived from: (i) the increase in gross profit contributed by the increase in revenue during the period; (ii) the Group's profitability has been improving and achieving economies of scales as the sales increased; (iii) the staff costs and other operating expenses have increased when comparing to the same period in 1H2020 as the base of comparison was low during the Pandemic when the business activities were reduced, notwithstanding that such increase was corresponding to the increase in sales and business activities during the period; and (iv) the Group has constantly been carrying out efficiency management measures with an aim to achieve further economies of scales.

The following is a summary of the financial positions of the Group as at 30 June 2021 and as at 31 December 2020, as extracted from the 2021 Interim Report:

**Table 2: Highlights of the financial positions of the Group**

|  | <b>Unaudited</b><br><b>As at 30 June</b><br><b>2021</b><br><i>(HK\$'000)</i> | <b>Audited</b><br><b>As at 31 December</b><br><b>2020</b><br><i>(HK\$'000)</i> |
|--|--|--|
| Non-current assets   | 578,783  | 522,832  |
| Cash and cash equivalents                                    | 1,600,920  | 1,627,531  |
| Current assets   | 3,656,928  | 3,307,006  |
| Non-current liabilities                                      | 22,889   | 25,452   |
| Current liabilities  | 1,385,108  | 1,037,232  |
| Net asset value (the "NAV") attributable to the Shareholders | 2,763,890  | 2,709,936  |

*Source: the 2021 Interim Report*

As at 30 June 2021, the total assets and liabilities were approximately HK\$4,236 million and HK\$1,408 million respectively, as compared to the total assets and liabilities of approximately HK\$3,830 million and approximately HK\$1,063 million as at 31 December 2020 respectively. The Group recorded a slight increase in the NAV attributable to the Shareholders as at June 2021 for approximately HK\$54 million or 2% compared that as at 31 December 2020.

The cash and cash equivalents of the Group decreased from approximately HK\$1,627.5 million as at 31 December 2020 to approximately HK\$1,600.9 million as at 30 June 2021. The Group's gearing ratio (borrowings over net assets) was Nil% as at 30 June 2021 (31 December 2020: Nil%).



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 2. Information of the Joint Venture and the JV Partners

The Joint Venture, namely Chengdu BOE Automotive Electronic Limited\* (成都京東方汽車電子有限公司), is a company incorporated in the PRC with limited liability and a non-wholly owned subsidiary of the Company. It is principally engaged in, among other things, manufacturing and sales of automotive equipment and display devices. It was established on 20 August 2021 pursuant to the Shareholders' Agreement and is currently owned as to 20% by Link Score, 40% by Hefei BOE and 40% by BOE. We note that the Joint Venture has yet to generate any revenue since its incorporation.

Link Score is a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

Hefei BOE is a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company. It is principally engaged in design, manufacturing and sales of display related products.

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, TVs, 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, TVs, vehicle displays and digital information displays. The Group is the sole platform of automotive display module and system business within the BOE Group.

### 3. Reasons for and benefits of the Capital Increase

As disclosed in the Letter from the Board, 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. In 2020, the Group's revenue increased by approximately 27% and the profit attributable to Shareholders recorded a significant increase of approximately 170% comparing to that of 2019. The TFT module business and touch panel display module business continued to achieve remarkable growth during 2020 and contributed over 75% of the Group's 2020 revenue in total. According to the Company's 2021 interim report, the Group's revenue and profit attributable to Shareholders for the six months ended 30 June 2021 increased by approximately 69% and 423% respectively, when compared with the amounts for the first half of 2020. The revenue from the sales of TFT modules and touch panel display modules accounted for approximately 81% of the Group's total revenue during the first half of 2021. The major growth engine in this period is from the PRC in which the automotive market has experienced a fast recovery from the impact of the Pandemic.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Looking forward, the Group expects the momentum of growth will continue throughout 2H2021 based on the Group's sales order status of mass production projects. Thus, the Group's revenue and profit are expected to increase further in 2H2021 comparing to 1H2021, as it is expected that further economies of scales will be achieved through the sales increases. The growth engine mainly comes from the TFT and touch panel modules orders of the PRC for both conventional vehicles and new energy vehicles. The Group has established strategic cooperation with a number of major PRC automobile manufacturers as well as Tier-1 manufacturers in recent years and has been deepening our cooperation through the Group's active product and technology promotions. The Group has also been actively cooperating with new energy vehicle manufacturers in the PRC to increase its market share in this fast-growing market in coming years.

As stated in the Letter form the Board, in view of the positive outlook of the automotive display business, especially in the PRC, the Group believes that the investment in the proposed automotive display manufacturing project in Chengdu (the "**Project**") through the Joint Venture 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 estimated investment amount of the Project is RMB2,500 million, in which (a) approximately 2% will be used for the acquisition of land; (b) approximately 28% will be allocated for the plant construction; (c) about one-third of the amount will be used as the working capital for daily operation of the Joint Venture; and (d) the remaining amount will be mainly used for purchases of various equipment. 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. It is expected that the Joint Venture will commence production in early 2023 and the expansion of the TFT and touch panel display module manufacturing facilities in the PRC through the Joint Venture will decrease the amount of the Group's purchase transactions (purchases of TFT panels, TFT modules and other products from BOE) as contemplated under the Renewed Master Purchase Agreement entered between the Company and BOE dated 6 September 2021. During the course of our Previous Appointment, we noted that the annual cap for FY2023 was expected to fall from the FY2022 level of HK\$6.8 billion to HK\$6.0 billion as a result of reducing the purchase transactions of TFT/TP modules from the BOE Group. We are of the view that the establishment of the Joint Venture together with Capital Increase to develop the Project is in line with the Group's proposed expansion of TFT and touch panel display module manufacturing facilities in the PRC and with an added benefit of reducing the size of the relevant continuing connected transactions with the BOE Group at the same time.

Based on research and discussions, Link Score, Hefei BOE and BOE have set the development goals of the Joint Venture and intended to increase the capital amount of the Joint Venture in order to carry out the Project. Upon completion of the Capital Increase, the registered capital of the Joint Venture will be increased from RMB150 million to RMB1,500 million to build a production base for the manufacturing of automotive display devices which is expected to commence production in early 2023. For the registered capital of RMB1,500 million, it is expected that (a) approximately 3% will be used for the acquisition of land; (b) approximately 38% will be allocated for the plant construction; (c) approximately 22% will be used as the working capital for daily operation of the Joint Venture; and (d) the remaining amount will be mainly used for purchases of various equipment. The production base will be composed of facilities in relation to, among others, production and ancillary production facilities, amenities, power, environmental protection, safety measures and fire control. Other

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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than the amount allocated for the working capital for daily operation of the Joint Venture after the commencement of production in early 2023, the rest of the registered capital of the Joint Venture is expected to be used by 2022. The Capital Increase to be made by Link Score and Hefei BOE may be financed by the internal resources of the Group and/or external funding. The difference between the expected total investment amount of the Project of RMB2,500 million and the registered capital of the Joint Venture upon completion of the Capital Increase of RMB1,500 million, is expected to be satisfied by the Joint Venture through external funding. If the Joint Venture is unable to proceed with the Project, Link Score, Hefei BOE and BOE agreed to de-register the Joint Venture (if necessary) without recourse.

We note from the announcement of the Company dated 20 August 2021 that in view of the positive outlook of the automotive display business, especially in the PRC, the Directors believe that the establishment of the Joint Venture 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. We have conducted our own research on the automotive display market industry. Based on a report summary titled "Automotive Smart Display Market Size, Share & Trends Analysis Report" issued by Grand View Research Inc. ("**Grand View**") (being a market research and consulting company headquartered in San Francisco, which provides syndicated research reports, customised research reports and consulting services with its database used by academic institutions around the world and Fortune 500 companies) in March 2021, the global automotive smart display market size was valued at approximately US\$11.14 billion in 2021 and is expected to expand at a compound annual growth rate ("**CAGR**") of approximately 6.2% from 2021 to 2028. The increasing demand for advanced functions, including navigation, multimedia systems, driver assistance, connected car features and the improving driver-to-vehicle communication is anticipated to boost the use of the smart displays in the automotive sector. The greater than 10 inches smart display segment is projected by Grand View to register the fastest CAGR of approximately 9.2% from 2021 to 2028. This segment is widely applied to electric vehicles, premium cars and semi-autonomous and autonomous cars. Against this background, the Group, while maintaining its leading position in the global automotive display market in terms of display area and delivery quantities, has been particularly focused in larger-sized multiple display modules and TP modules such as those with sizes larger than 8 inches.

Prior to the Capital Increase, the Company and BOE have entered into the Renewed Master Purchase Agreement on 6 September 2021, details of which are set out in the CCT Circular. 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. According to the CCT Circular, the Group expects the momentum of growth will continue throughout 2H2021 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 market. The Group will continue to increase market share through the establishment of close relationship with customers and by deepening its cooperation with strategic partners. At the time of publishing the CCT Circular, the Company mentioned that it is considering to expand its TFT and TP display module manufacturing facilities in the PRC through the Joint Venture. The Company also explained that the annual cap under the Renewed Master Purchase Agreement is projected to fall from HK\$6,800 million for FY2022 to HK\$6,000 million for FY2023, much would be attributable to the Group's expansion of TFT and TP display module manufacturing facilities in the PRC under the Joint Venture, which is expected to commence production in early 2023.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have requested and obtained from the Management the planned budget on the total estimated investment amount of the Project of RMB2,500 million (the “**Planned Budget**”) and noted the Management have clearly identified and allocated the relevant budget amounts to, among others, land purchase, plant construction, purchase of equipment and working capital. During the course of review, we are not aware of any notable items which are not in line with the scope of business as stipulated under the principal terms of the Shareholders’ Agreement. We have further understood from the Management that, the identification and the allocation of the Planned Budget was determined after arm’s length negotiation amongst the JV Partners with reference to among others, the extensive experience and the technical know-how of both the Company and BOE in automated manufacturing. The Company has the experience in building, operating and expanding the Heyuan and Chengdu production plants while BOE, as a leading supplier of display products and solutions, has extensive experience and competitive edge in the panel research and automated manufacturing process. We note in a recent announcement dated 30 August 2021 published by BOE, BOE is building the world’s largest production site for manufacturing mobile device display modules in Qingdao, with a total planned investment amount of approximately RMB8,170 million. Given the above, we have confidence that both the Company and BOE have the relevant experience and technical know-how to formulate the Planned Budget.

Based on the above, in particular, (i) the solid growth expected of the smart display in the automotive sector as discussed above; (ii) the Capital Increase seeks to expand the Group’s scale of operations in relation to automotive display devices to capture the upcoming business opportunities and expand the Group’s market share in the growing automotive market which is in line with the Group’s stated future intention; (iii) the Capital Increase demonstrates the commitment and confidence of the JV Partners to the development and prospects of the Joint Venture and the industry in which it operates; (iv) each JV Partner would be contributing the relevant capital in proportion of their respective shareholding percentage which each shares the total financial commitment; and (v) there is a well-planned budget on the total estimated investment amount of the Project, we are of the view that the Capital Increase Agreement and transactions contemplated thereunder is entered in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole.

#### **4. Principal terms of the Shareholders’ Agreement and the Capital Increase Agreement**

##### ***4.1 Shareholders’ Agreement***

We outlined below the principal terms of the Shareholder’s Agreement as set out in the JV Announcement:

|   |   |   |
|---|---|---|
| Date  | : | 20 August 2021  |
| Parties                                       | : | (1) Link Score, a wholly-owned subsidiary of the Company;<br>(2) Hefei BOE, a wholly-owned subsidiary of the Company; and<br>(3) BOE. |
| Effective date of the Shareholders’ Agreement | : | The Shareholders’ Agreement will become effective upon signing.   |

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Term of operation : The term of operation of the Joint Venture is 20 years (subject to the approval of the State Administration for Industry and Commerce\* (工商行政管理部門) or the State Administration for Market Regulation\* (市場監督管理部門) of the PRC).

Scope of business : The scope of business of the Joint Venture includes (but not limited to) sales of display products, manufacturing and sales of smart automotive display devices, imports and exports of products, imports, exports, services, development, consultation, exchange, transfer and promotion of technologies, leasing of non-residential real estate, provision of warehousing services, design and services of integrated circuit chips, sales of integrated circuits, and provision of domestic trade agency services (subject to the approval of the State Administration for Industry and Commerce\* (工商行政管理部門) or the State Administration for Market Regulation\* (市場監督管理部門) of the PRC).

According to a preliminary development plan, the Joint Venture proposes to invest in an automotive display manufacturing project in Chengdu after obtaining the approval of relevant authorities of the JV Partners. Future plan of the Joint Venture (which may involve, among others, further capital contributions) will be formed by the JV Partners based on their assessment on the market development and subject to further negotiations of the JV Partners.

Registered capital and capital contribution : The registered capital of the Joint Venture is RMB150 million. The JV Partners will pay up their respective contributions in cash to the registered capital as follows:

| Name of shareholder | Capital contribution<br>(RMB) | Interest in the<br>Joint Venture<br>(%) |
|---------------------|-------------------------------|---|
| Link Score          | 30,000,000                    | 20                                      |
| Hefei BOE           | 60,000,000                    | 40                                      |
| BOE                 | 60,000,000                    | 40                                      |
| <b>Total</b>        | <b>150,000,000</b>            | <b>100</b>                              |

The JV Partners shall pay their respective capital contributions in full within 14 days after the Joint Venture issued the payment notice.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The amount of capital contributions under the Shareholders' Agreement was determined after arm's length negotiations among the JV Partners, taking into account the preliminary development plans of the Joint Venture. The capital contributions by Link Score and Hefei BOE will be funded by the internal sources of the Group. The Joint Venture will become a non-wholly owned subsidiary of the Company.

Sharing of profits, losses and risks : Profits of the Joint Venture shall be shared among the JV Partners in proportion to their paid-up capital contributions made to the Joint Venture. Losses and risks of the Joint Venture shall be shared among the JV Partners in proportion to their subscribed capital contributions to the Joint Venture.

Management of the Joint Venture : The board of directors of the Joint Venture shall consist of three members to be elected at shareholders' meeting of the Joint Venture. Each JV Partner (as referees) shall recommend one director. The chairman of the board of directors shall be elected at board meeting of the Joint Venture with the joint recommendation of Link Score and Hefei BOE.

The term of office for all directors is three years. At the expiry of the term, the directors may be re-elected with the recommendation of the referees. Any board resolution must be passed by at least half of the board of directors of the Joint Venture.

The Joint Venture shall have one supervisor to be elected at shareholders' meeting of the Joint Venture with joint recommendation of Link Score and Hefei BOE (as referees), and there will be no supervisory committee. The term of office for the supervisor is three years. At the expiry of the term, the supervisor may be re-elected with the recommendation of the referees.

The general manager and financial controller of the Joint Venture shall be jointly recommended by Link Score and Hefei BOE (as referees) and appointed by the board of directors of the Joint Venture. The term of office for the general manager and financial controller is three years. At the expiry of the term, the term of office of the general manager and financial controller may be renewed with the recommendation of the referees and the appointment of board of directors of the Joint Venture.

Governance of the Joint Venture will be regulated by the Company Law of the PRC and the Articles of Association of the Joint Venture.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Transfer of equity interest : If any JV Partner proposes to transfer equity interest in the Joint Venture to any person which is not a JV Partner, the consent of more than half of other JV Partners will be required. Other JV Partners failing to reply within 30 days from the date of receiving the written notice shall be deemed to have agreed to the transfer. If half or more of other JV Partners disagree with the transfer, other JV Partners who do not agree to the transfer shall purchase the equity interest proposed to be transferred, otherwise it shall be deemed to have agreed to the proposed transfer. If the equity interest transfer is approved by the JV Partners, other JV Partners shall have the pre-emptive right to such equity interest.

### ***4.2 Capital Increase Agreement***

With reference to the Letter from the Board, the principal terms of the Capital Increase Agreement are as follow:

Date : 28 October 2021

Parties : (1) Link Score, a wholly-owned subsidiary of the Company;  
(2) Hefei BOE, a wholly-owned subsidiary of the Company;  
(3) BOE; and  
(4) the Joint Venture, a non-wholly owned subsidiary of the Company.

Effective date of the Capital Increase Agreement : The Capital Increase Agreement is established after being signed and affixed with company chop by the JV Partners and will become effective upon the following conditions having been met:  
(1) the approval having been obtained in the SGM of the Company, being the controlling shareholder of Link Score and Hefei BOE, according to the requirements of the Listing Rules; and  
(2) the approval having been obtained from the authorities with the rights to approve the Capital Increase by BOE.

Capital Increase : Pursuant to the Capital Increase Agreement, the JV Partners have conditionally agreed to make capital increase into the Joint Venture in an aggregate sum of RMB1,350 million in cash in proportion to their existing shareholding percentage in the Joint Venture:  
(1) Link Score has conditionally agreed to make capital increase of RMB270 million into the Joint Venture;

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (2) Hefei BOE has conditionally agreed to make capital increase of RMB540 million into the Joint Venture; and
- (3) BOE has conditionally agreed to make capital increase of RMB540 million into the Joint Venture.

The JV Partners shall pay their respective Capital Increase amount within 14 days after the Joint Venture issued the payment notice (in any case the whole amount of the Capital Increase shall be fully settled by 31 December 2026). It is expected that the total amount of the Capital Increase will be paid by the parties in 2022.

The total amount of the Capital Increase under the Capital Increase Agreement was determined after arm's length negotiations among the JV Partners, with reference to the capital required to build a production base for the manufacturing of automotive display devices (including but not limited to TFT and touch panel display modules).

Upon completion of the Capital Increase, the registered capital of the Joint Venture will be increased from RMB150 million to RMB1,500 million. The Joint Venture will continue to be a non-wholly owned subsidiary of the Company.

The following table sets out the shareholding structure of the Joint Venture as at the Latest Practicable Date and upon completion of the Capital Increase:

| Name of shareholder | As at the Latest Practicable Date |                                      | Upon completion of the Capital Increase |                                      |
|---------------------|-----------------------------------|--------------------------------------|---|--------------------------------------|
|                     | Capital contribution<br>(RMB)     | Interest in the Joint Venture<br>(%) | Capital contribution<br>(RMB)           | Interest in the Joint Venture<br>(%) |
| Link Score          | 30,000,000                        | 20                                   | 300,000,000                             | 20                                   |
| Hefei BOE           | 60,000,000                        | 40                                   | 600,000,000                             | 40                                   |
| BOE                 | 60,000,000                        | 40                                   | 600,000,000                             | 40                                   |
| <b>Total</b>        | <b><u>150,000,000</u></b>         | <b><u>100</u></b>                    | <b><u>1,500,000,000</u></b>             | <b><u>100</u></b>                    |

Completion : Completion of the Capital Increase will take place after the Joint Venture has completed the industrial and commercial registration in relation to the Capital Increase and obtained a new business license.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Our assessment*

#### *1. Capital Increase contribution*

Pursuant to the terms of the Capital Increase Agreement, each of Link Score, Hefei BOE and BOE has agreed to make capital increase into the Joint Venture in an aggregate sum of RMB1,350 million in cash in proportion to their existing shareholding percentage in the Joint Venture, Link Score, Hefei BOE and BOE would each be contributing 20%, 40% and 40%, respectively, of the aforesaid Capital Increase contribution by way of capital injection in the form of cash and each will be entitled to 20%, 40% and 40%, respectively, in the equity interest of the Joint Venture. Therefore, under the Capital Increase, each of Link Score, Hefei BOE and BOE would be making a capital contribution of RMB270 million, RMB540 million and RMB540 million respectively into the Joint Venture. Upon completion of the Capital Increase, the registered capital of the Joint Venture will be increased from RMB150 million to RMB1,500 million. The Joint Venture will continue to be a non-wholly owned subsidiary of the Company.

Under the Capital Increase Agreement, on the basis that each of Link Score, Hefei BOE and BOE will make capital contribution in cash to the Joint Venture in the amount pro rata to their equity holding in the Joint Venture. We are of the view that the terms in relation to the Capital Increase contribution are fair and reasonable and on normal commercial terms.

#### *2. Management and corporate governance*

With reference to the Shareholders' Agreement, in respect of the management of the Joint Venture, each JV Partners will have the right to recommend one director and the chairman of the board of directors shall be elected at the board meeting of the Joint Venture with the joint recommendation of Link Score and Hefei BOE. Besides that, the general manager and financial controller of the Joint Venture shall be jointly recommended by Link Score and Hefei BOE, and appointed by the board of directors of the Joint Venture. We are of the view such arrangement will enable the Company to maintain its control over the business decision of the Joint Venture.

#### *3. Profit distribution*

According to the Shareholders' Agreement, the profits of the Joint Venture shall be shared among the JV Partners in proportion to their paid-up capital contributions made to the Joint Venture. Losses and risks of the Joint Venture shall be shared among the JV Partners in proportion to their subscribed capital contributions to the Joint Venture. We are of the view that such arrangement under the Capital Increase Agreement is fair and reasonable and on normal commercial terms.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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#### 4. *Other terms of the Capital Increase Agreement*

We have also reviewed other major terms of the Capital Increase Agreement, including but not limited to, the condition precedents for completion, termination, force majeure and confidentiality clauses and we are not aware of any terms which are uncommon.

#### 5. **Financial effects of the Capital Increase**

##### *Net assets and earnings attributable to the Shareholders*

Upon Completion of the Capital Increase, 60% and 40% of the registered capital of the Joint Venture will remain to be owned by the Company (through Link Score and Hefei BOE) and BOE respectively, and accordingly, the Joint Venture will continue to be accounted for as a non-wholly owned subsidiary of the Company and its financial results and financial position will be consolidated into the Company's consolidated financial statements. As the automotive display manufacturing project in Chengdu is still in its development stage, which is expected to commence production in early 2023 as advised by the Management. The financial impact of the Capital Increase on the future earnings of the Company will depend on the return to be generated from the proposed automotive display manufacturing project in Chengdu which the Joint Venture will invest in. As advised by the Management, save for the increase in minority interests due to the capital contribution to be made by BOE, the Capital Increase would not have material immediate financial effect on the net assets and earnings attributable to the Shareholders.

##### *Working Capital and gearing*

As stated in the 2021 Interim Report, the cash and cash equivalent and net current assets of the Group amount to approximately HK\$1,600.9 million and HK\$2,271.8 million as at 30 June 2021 respectively. Given the fact that the cash balance of the Joint Venture will be consolidated into the Company's consolidated financial statements, the capital contribution to be made by Link Score and Hefei BOE (being subsidiaries of the Company) in an aggregate sum of RMB900.0 million in cash would not affect the cash and cash equivalents balance of the Group, but the capital of RMB600.0 million to be contributed by BOE would have a financial effect on the working capital of the Group by increase the cash and cash equivalents of the Group. The capital contribution of RMB600.0 million (equivalent to approximately HK\$732.0 million at the exchange rate of RMB1 to HK\$1.22) to be made by BOE under the Capital Increase represents approximately 45.7% of the cash and cash equivalents or approximately 32.2% of the net current assets of the Group as at 30 June 2021. The capital contribution of RMB600.0 million to be made by BOE is same as non-controlling interests amount of the Group to be increased. As such, the Capital Increase will improve the working capital position of the Group. Also as stated in the 2021 Interim Report, the Group's gearing ratio (borrowings over net assets) was Nil% as at 30 June 2021. Since the Capital Increase to be made by Link Score and Hefei BOE may be partly financed by the internal resources of the Group and/or external funding, the Capital Increase may increase the total amount of the debt and the gearing ratio of the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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It should be noted that the above analysis is for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon completion of the Capital Increase.

### OPINION AND RECOMMENDATION

Based on the above, we are of the view that (i) the entering into of the Capital Increase Agreement and the transactions contemplated thereunder is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Capital Increase Agreement and the transactions contemplated thereunder are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. We therefore advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolutions approving the transactions contemplated under the Capital Increase Agreement and the transactions contemplated thereunder at the SGM.

Yours faithfully,  
For and on behalf of  
**Opus Capital Limited**  
**Cheung On Kit Andrew**  
*Executive Director*

*Mr. Cheung On Kit Andrew is an Executive Director of Opus Capital Limited and is licensed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Cheung has over 13 years of corporate finance experience in Asia Pacific and has participated in and completed various financial advisory and independent financial advisory transactions.*

**1. SUMMARY OF FINANCIAL INFORMATION**

Financial information of the Group for each of the three financial years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<https://www.boevx.com/>):

- annual report of the Company for the year ended 31 December 2018 published on 29 April 2019 (pages 55 to 110);
- annual report of the Company for the year ended 31 December 2019 published on 27 April 2020 (pages 60 to 110);
- annual report of the Company for the year ended 31 December 2020 published on 28 April 2021 (pages 60 to 106); and
- interim report of the Company for the six months ended 30 June 2021 published on 28 September 2021 (pages 9 to 26).

**2. INDEBTEDNESS STATEMENT**

At the close of business on 31 October 2021, being the most recent practicable date, the Group had lease liabilities (comprising both current and non-current liabilities) of approximately HK\$25,359,000.

Save as aforesaid and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 31 October 2021 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

**3. WORKING CAPITAL SUFFICIENCY**

The Directors, after due and careful enquiry, are of the opinion that, taking into consideration the Capital Increase, the financial resources and banking facilities available to the Group, the Group will have sufficient working capital to satisfy its present requirements for the next twelve months from the date of this circular in the absence of unforeseen circumstances.

The Directors confirm that requirements under Rule 14.66(12) of the Listing Rules have been complied with.

#### 4. FINANCIAL AND TRADING PROSPECT OF THE GROUP

During the period ended 30 June 2021, the Group's overall business has been recovering from the impact of the COVID-19 pandemic and recorded a significant growth especially in the automotive display business. Thus, the Group's revenue is expected to increase further in the second half of 2021 comparing to the first half of 2021, as it is expected that further economies of scales will be achieved through the sales increases. The growth engine mainly comes from the TFT and touch panel modules orders of the PRC for both conventional vehicles and new energy vehicles.

The global shortage of electronic components during the first half of 2021 will still pose an uncertainty to the Group's business in the remainder of the year of 2021 or even longer. Nevertheless, the Group has been taking various measures to reduce the impact and ensure smooth production and delivery. The Group has increased the selling price of its products in response to the increase in material and other costs due to the recent global shortage of electronic components.

##### **Automotive Display Business**

The revenue contribution from new energy vehicles display sales in the PRC has been increasing since the beginning of 2020, especially in the first half of 2021. The Group considered that trend of migration from conventional vehicles to new energy vehicles is inevitable and the customers' willingness to switch to new energy vehicles will be one of the major growing areas in the PRC. In this regard, the Group has been working very closely with new energy vehicles manufacturers to promote its TFT and AMOLED display modules, as well as system display products. The Group's first mass production of large-sized AMOLED display for a renowned PRC new energy vehicles manufacturer will commence in 2022. As the trend of display is shifting to large-sized multiple display modules and touch panel modules, as well as higher-end display technologies like BD cell and AMOLED, it is expected that the average selling price of the Group's products will gradually increase. The Group has also been awarded several projects in relation to system display solution in the PRC.

##### **Industrial Display Business**

The Group's monochrome display business is a relatively stable business where applications are mainly industrial meters, medical and consumer products. The Group will continue to increase its resources in expanding the industrial customer base and to promote the TFT display modules to high-end customers, like home appliances products and educational products. The Group's distinctive IBN-TFT hybrid display began to be recognised by customer and successfully applied in a marine application.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DIRECTORS' INTERESTS

As at Latest Practicable Date, the interests and shorts positions of the Directors and chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

### (a) (i) Interests in shares of the Company

| Name of Director         | Capacity          | Number of shares in the Company held | Approximate percentage of the total issued share capital of the Company |
|--------------------------|-------------------|--------------------------------------|---|
| Ko Wing Yan,<br>Samantha | Personal Interest | 247,000                              | 0.03%   |
| Su Ning                  | Personal Interest | 250,000                              | 0.03%   |
| Chu, Howard Ho<br>Hwa    | Personal Interest | 70,000                               | 0.01%   |

*Note:*

- The above interest represented long positions.

## (a) (ii) Interests in shares of BOE (an associated corporation) (Note 1)

| Name of Director | Capacity          | Number of shares in the BOE held | Approximate percentage of the total issued share capital of BOE |
|------------------|-------------------|----------------------------------|---|
| Gao Wenbao       | Personal Interest | 1,860,700<br>(Note 2)            | 0.0053%   |
| Su Ning          | Personal Interest | 150,000                          | 0.0004%   |
| Shao Xibin       | Personal Interest | 787,600<br>(Note 3)              | 0.0023%   |
| Jin Hao          | Personal Interest | 628,800<br>(Note 4)              | 0.0018%   |
| Zhang Shujun     | Personal Interest | 153,700                          | 0.0004%   |

## Notes:

- BOE subscribed 400,000,000 shares, representing 54.34% of the issued share capital of the Company.
- On 21 December 2020, BOE granted 1,500,000 shares to Mr. Gao under the 2020 share option and restricted share incentive scheme.
- On 21 December 2020, BOE granted 634,000 shares to Mr. Shao under the 2020 share option and restricted share incentive scheme.
- On 21 December 2020, BOE granted 575,000 shares to Mr. Jin under the 2020 share option and restricted share incentive scheme.
- The above interest represented long positions.

## (b) (i) Interests in share options of the Company

| Name of Director      | Date of grant   | Number of share options as at the Latest Practicable Date | Exercisable period | Exercise price per share option |
|-----------------------|-----------------|---|--------------------|---------------------------------|
| Ko Wing Yan, Samantha | 24 January 2019 | 500,000   | (Note 1)           | HK\$2.00                        |
| Su Ning               | 24 January 2019 | 500,000   | (Note 1)           | HK\$2.00                        |
| Fung, Yuk Kan Peter   | 24 January 2019 | 100,000   | (Note 1)           | HK\$2.00                        |
| Chu, Howard Ho Hwa    | 24 January 2019 | 30,000  | (Note 1)           | HK\$2.00                        |
| Hou Ziqiang           | 24 January 2019 | 100,000   | (Note 1)           | HK\$2.00                        |

## Notes:

- Exercisable period:
  - the first 40% of the share options are exercisable from 1 February 2020 to 31 January 2023;
  - the second 30% of the share options are exercisable from 1 February 2021 to 31 January 2023; and
  - the remaining 30% of the share options shall be exercisable from 1 February 2022 to 31 January 2023.
- The above interests represented long positions.

## (b) (ii) Interests in awarded shares of the Company

| Name of Director      | Date of grant | Number of awarded shares at the Latest Practicable Date | Vesting date |
|-----------------------|---------------|---|--------------|
| Ko Wing Yan, Samantha | 29 March 2021 | 500,000   | (Note 1)     |
| Su Ning               | 29 March 2021 | 500,000   | (Note 1)     |
| Fung, Yuk Kan Peter   | 29 March 2021 | 100,000   | (Note 1)     |
| Chu, Howard Ho Hwa    | 29 March 2021 | 100,000   | (Note 1)     |
| Hou Ziqiang           | 29 March 2021 | 100,000   | (Note 1)     |

*Notes:*

1. Vesting date:
  - (i) the first 40% of the awarded shares were vested on 28 April 2021;
  - (ii) the second 30% of the awarded shares shall be vested on 28 April 2022; and
  - (iii) the remaining 30% of the awarded shares shall be vested on 28 April 2023.
2. The above interests represented long positions.

Saved as disclosed above, as at the Latest Practicable Date, none of the Directors, chief executives or any of their associates had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations as recorded in the register required to be kept under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or the Model Code.

As at the Latest Practicable Date, BOE(HK), a wholly-owned subsidiary of BOE, held 400,000,000 Shares, representing approximately 54.34% of the issued share capital of the Company. 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.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had, or was deemed to have, an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### **3. DIRECTORS' INTERESTS IN ASSETS OR CONTRACTS**

As at the Latest Practicable Date, none of the Directors of the Company had any interest, direct or indirect, in any asset which have been since 31 December 2020, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors of the Company was materially interested in any contract or arrangement entered into by any member of the Group since 31 December 2020, being the date to which the latest published audited financial statements of the Company were made up, and which was significant in relation to the business of the Group.

### **4. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

### **5. MATERIAL ADVERSE CHANGES**

As at the Latest Practicable Date, the Directors confirm that there was no material adverse change in the financial or trading position of the Company since 31 December 2020, being the date to which the latest published audited financial statements of the Company were made up.

### **6. DIRECTORS' COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors or any proposed director of the Company or their respective close associate(s) had any interests in a business which competed or might compete with the business of the Group and had any other conflicts of interests with the Group.

### **7. MATERIAL LITIGATION**

As at the Latest Practicable Date, to the best knowledge of the Directors, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.



## 8. MATERIAL CONTRACTS

During the two years immediately preceding 20 August 2021, being the date of the announcement in relation to the Previous Transaction, and up to and including the Latest Practicable Date, no material contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) had been entered into by the Company or any of its subsidiaries.

## 9. EXPERT AND CONSENT

The following is the qualification of the expert who has given an opinion or advice, which is contained or referred to in this circular:

| <b>Name</b>          | <b>Qualification</b>  |
|----------------------|---|
| 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 |

As at the Latest Practicable Date, Opus Capital Limited has given and confirmed that it has not withdrawn its written consent to the issue of this circular, with the inclusion herein of its letter, report, advice, opinion and/or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Opus Capital Limited did not have (a) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (b) any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2020, the date to which the latest published audited financial statements of the Company were made up.

**10. DOCUMENTS AVAILABLE ON DISPLAY**

Copies of the following documents are available on the website of the Stock Exchange (<http://www.hkexnews.hk>) and on the website of the Company (<https://www.boevx.com/>) for a period of 14 days from the date of this circular:

- (a) the Shareholders' Agreement;
- (b) the Capital Increase Agreement;
- (c) the letter of consent referred to in the paragraph headed "Expert and Consent" in this Appendix; and
- (d) this circular.

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## NOTICE OF SGM

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# BOE

## BOE VARITRONIX LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 710)**

### NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the hybrid special general meeting of BOE Varitronix Limited (the “**Company**”) will be held at Units A-F, 35/F., Legend Tower, No. 7 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong on Thursday, 23 December 2021 at 10 a.m. for the following purposes:

#### ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the terms of the Capital Increase Agreement (as defined in the circular of the Company dated 2 December 2021 (the “**Circular**”) of which this notice forms part) (a copy of which is tabled at the meeting and marked “A” for identification purposes) dated 28 October 2021 entered into by Link Score, Hefei BOE, BOE and the Joint Venture (as defined in the Circular) and the transactions contemplated thereunder as describe in the Circular be and are hereby approved in all respects; and
- (b) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute and deliver all such documents, instruments or agreements and to do all such other acts or things which he/she/they may in his/her/their absolute discretion consider necessary or desirable in connection with or incidental to any of the matters to give effect to the transactions contemplated under the Capital Increase Agreement (as defined in the Circular).”

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

Hong Kong, 2 December 2021

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## NOTICE OF SGM

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*Notes:*

1. A member of the Company entitled to attend and vote at the meeting (the “SGM”) is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. Where there are joint registered holders of any share, any one of such persons may vote at the SGM, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the SGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
3. To be valid, a proxy form, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited to the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited (“**Computershare**”), at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong not less than 48 hours before the appointed time for holding the SGM or any adjourned meeting.
4. The register of members of the Company will be closed from Monday, 20 December 2021 to Thursday, 23 December 2021 (both days inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the SGM, all transfer of shares accompanied by the relevant share certificates must be lodged with Computershare, of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Friday, 17 December 2021.
5. Whether or not you intend to attend and vote at the SGM, you are requested to complete and return the form of proxy. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM should you so wish.
6. The Company will conduct a hybrid SGM using Computershare e-Meeting System, which allows shareholders of the Company (“**Shareholders**”) to participate the SGM online in a convenient and efficient way from anywhere with an internet connection. Shareholders will be able to view the live video broadcast and participate in voting and submit questions in written form to the SGM via their mobile phones, tablet, or computers. The live broadcast option can also broaden the reach of the SGM to Shareholders who do not wish to attend physically due to concerns on attending large scale events under the current COVID-19 situation, or for other overseas Shareholders who are unable to attend in person.
7. Although Shareholders are welcome to attend the SGM physically in person if they so wish, the Company strongly recommends Shareholders to attend the SGM via the online option in view of the current development of COVID-19. The Company will also be undertaking the following precautionary measures to safeguard the health and well-being of Shareholders (or their proxies) who are attending the SGM in person, including temperature screening, requiring all participants to wear surgical face mask, plus safe distancing measures for queue management and seating at the meeting venue.
8. For online voting at the SGM, Shareholders can refer to our enclosed letter and the Online Meeting User Guide (by visiting the hyperlink) for details. If you have any queries on the above, please contact the Company’s Hong Kong branch share registrar and transfer office, Computershare, via their hotline at (852) 2862 8555 from 9:00 a.m. to 5:00 p.m. (Monday to Friday, excluding Hong Kong public holidays).
9. Shareholders who wish to attend the SGM and exercise their voting rights can be achieved in one of the following ways:
  - (1) attend the SGM in person and vote via smartphones or designated mobile devices at the SGM venue;  
OR
  - (2) attend the SGM via Computershare e-Meeting System which enables live streaming and interactive platform for Q&A and submit their voting online; OR
  - (3) appoint Chairman of the SGM or other persons as your proxy to vote on your behalf.

Your proxy’s authority and instruction will be revoked if you attend and vote in person at the SGM or via the Computershare e-Meeting System.

Non-registered holders whose shares of the Company are held in the Central Clearing and Settlement System through banks, brokers, custodians or Hong Kong Securities Clearing Company Limited may be able to attend the SGM, vote and submit questions online. In this regard, they should consult directly with their banks, brokers or custodians (as the case may be) for the necessary arrangements.

For corporate Shareholders who wish to attend the SGM and to vote online, please contact the Company’s Hong Kong branch share registrar and transfer office at (852) 2862 8555 on or before 17 December 2021 for arrangement.