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

**CONTINUING CONNECTED TRANSACTION
MASTER FRAMEWORK AGREEMENT –
PURCHASES AND LEASINGS OF EQUIPMENT AND RELATED SOFTWARE;
AND PROVISION OF CONSTRUCTION AND ENGINEERING SERVICES**

On 22 July 2022 (after trading hours), the Company and BOE entered into the Master Framework Agreement, pursuant to which the Group may (i) purchase and/or lease equipment and related software from the BOE Group; and (ii) engage the BOE Group to provide the construction and engineering services from time to time during the term from 22 July 2022 (being the signing date of the Master Framework Agreement) to 31 December 2024 (both days inclusive).

BOE(HK), a wholly-owned subsidiary of BOE, is a substantial shareholder of the Company holding approximately 54.31% of the issued share capital of the Company as at the date of this announcement. BOE is an associate of BOE(HK) and is thus a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Master Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios in respect of the annual caps under the Master Framework Agreement, on an annual basis, is more than 0.1% but less than 5%, the continuing connected transactions contemplated under the Master Framework Agreement are only subject to the reporting, announcement and annual review requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

On 22 July 2022 (after trading hours), the Company and BOE entered into the Master Framework Agreement, the principal terms of which are as follows:

MASTER FRAMEWORK AGREEMENT

Date

22 July 2022 (after trading hours)

Parties

- (a) the Company; and
- (b) BOE

Transactions under the Master Framework Agreement

Pursuant to the Master Framework Agreement, the Group may (i) purchase and/or lease equipment and related software from the BOE Group; and (ii) engage the BOE Group to provide the construction and engineering services from time to time during the term of the Master Framework Agreement.

The Master Framework Agreement is a framework agreement which contains the principles, mechanisms, and terms and conditions upon which the parties thereto are to carry out the transactions contemplated thereunder. The Group may from time to time enter into specific agreement, contract and/or purchase order in respect of (i) the purchase and lease of equipment and related software from the BOE Group; and (ii) the engagement of the BOE Group to provide the construction and engineering services. The terms and conditions of such specific agreement, contract and purchase order shall be consistent with the terms of the Master Framework Agreement.

For the avoidance of doubt, the Company and BOE are not contractually bound to conduct the transactions contemplated under the Master Framework Agreement with each other. The Group and the BOE Group can conduct such similar transactions with any other third parties during the term of the Master Framework Agreement. The Group intends to lease equipment and related software for a term not exceeding twelve months, which can be renewed by the parties.

Pricing Policy

Subject to compliance with relevant applicable laws and regulations, the prices shall be determined by the parties based on market practices and on normal commercial terms which are fair and reasonable.

(a) Purchase of equipment and related software, and provision of construction and engineering services

Prices will be determined with reference to (i) the actual procurement procedure requirements; (ii) the relevant laws and regulations (if applicable); (iii) the normal commercial terms and arm's length negotiation; and (iv) other various factors, including but not limited to the price, experience and qualification, services quality, and the capabilities to meet the product specifications and safety standards.

The price shall be determined by way of:

- (1) For the transactions which are required to be awarded to suppliers and service providers by tenders pursuant to applicable laws and regulations, the Group shall invite on a best effort basis at least two potential independent third party suppliers and service providers to ensure that the proposed price and terms offered by the BOE Group are no less favourable than those offered by potential independent third party suppliers and service providers;
- (2) For the transactions which are not mandatorily required to perform tendering pursuant to applicable laws and regulations, the Group shall (i) invite on a best effort basis at least two potential independent third party suppliers and service providers for the quotations or comparative prices; or (ii) proceed with other procurement procedures to ensure that the proposed price and terms offered by the BOE Group are no less favourable than those offered by potential independent third party suppliers and service providers; or
- (3) If no market price is available, the price shall be determined by reference to, where applicable, an independent third party valuation report, or the net book value or cost plus all required expenses (including but not limited to the transportation expenses, the installation expenses, and the adjustment and testing expenses, etc).

(b) Leasings of equipment and related software

The price of equipment and related software leasings shall be determined by the parties after arm's length negotiation and consideration of the factors set out below:

- (1) the written solicitation of quotations and market transaction prices from at least two independent third party suppliers for the same type of leased equipment and related software; or
- (2) the relevant costs such as depreciation of the leased equipment and related software, the management fees, the relevant tax expenses as well as the reasonable profits (profit margin

being not more than 10% of all the relevant costs and expenses) if no comparable market price is available.

Payment Terms

The payment terms shall be determined by way of:

- (1) Payment terms offered by independent third party suppliers and service providers as set out in their respective tenders or quotations to ensure the payment terms offered by the BOE Group to be no less favourable than those offered by the independent third party suppliers and service providers. The payment terms offered by the BOE Group shall normally be within 60 days unless other payment terms are mutually agreed by the parties and set out in the specific agreement, contract and/or purchase order; or
- (2) If there are no payment terms from potential independent third party suppliers and service providers for comparison, the Group shall settle the payment within 60 days according to the payment schedule as mutually agreed by the parties and set out in the specific agreement, contract and/or purchase order.

Term

The Master Framework Agreement will become effective from 22 July 2022 (being the signing date of the Master Framework Agreement) to 31 December 2024 (both days inclusive).

ANNUAL CAPS

The annual caps in respect of the transactions contemplated under the Master Framework Agreement are as follows:

Annual caps		
<i>(HK\$'million)</i>		
For the year ending 31 December 2022	For the year ending 31 December 2023	For the year ending 31 December 2024
110	110	50

The above annual caps were determined by the Group after taking into account, among others, the following matters:

- (a) The estimated demand of the equipment and related software, and construction and engineering services for the business development of the Group for coming financial years ending 31 December 2022, 2023 and 2024 respectively;
- (b) The estimated amount for the purchases and leasings of various equipment and related software in the proposed automotive display manufacturing project in Chengdu to expand the Group's existing TFT and TP display module manufacturing facilities in the PRC (including but not limited to the manufacturing facilities in Chengdu) based on the development plan;
- (c) The equipment and related software could be sold and leased, and the construction and engineering services could be provided by the BOE Group with competitive advantage and is beneficial to the Group;
- (d) The estimated costs of individual equipment and related software with reference to the prevailing market prices; and
- (e) Certain buffer to allow flexibility for the Group to conduct the transactions contemplated under the Master Framework Agreement for potential further expansion of the Group's business.

The transactions contemplated under the Master Framework Agreement are new transactions with the BOE Group. Therefore, there is no historical transaction amount.

INTERNAL CONTROL

For the transactions contemplated under the Master Framework Agreement, the Company has adopted the following internal control measures to safeguard the interests of the Company:

- (a) The internal audit department of the Group will conduct regular checks to assess whether the prices are determined in accordance with the terms of the Master Framework Agreement. Moreover, the internal audit department of the Group would report its findings to the audit committee of the Company semi-annually;
- (b) The finance department of the Group shall monitor and ensure that the annual caps under the Master Framework Agreement are not exceeded on a regular basis. In the event that the actual transaction amount in respect of the transactions conducted pursuant to the Master Framework Agreement is expected to reach the annual caps limit, the finance department of the Group will report it to the management of the Group so that the

management of the Group will take appropriate action to ensure compliance with the requirements under the Listing Rules;

- (c) The Company's external auditors and the independent non-executive Directors will (i) review the transactions conducted pursuant to the Master Framework Agreement annually; and (ii) check and confirm, among others, whether the pricing terms have been adhered to and whether the relevant annual caps have been exceeded; and
- (d) The Director(s) who are interested in the relevant transaction(s) shall abstain from voting on matters related to the Master Framework Agreement and the relevant annual caps for coming financial years ending 31 December 2022, 2023 and 2024 respectively.

The Directors consider that the internal control system of the Group is adequate to ensure that the transactions contemplated under the Master Framework Agreement will be conducted in accordance with the terms thereof.

INFORMATION ON THE PARTIES

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

BOE, being the ultimate beneficial owner holding approximately 54.31% of the issued share capital of the Company as at the date of this announcement, is a well-known leading supplier of semiconductor display technologies, products and services and its products are widely used in a broad spectrum of applications such as mobile phones, tablets, notebooks, monitors, televisions, vehicle displays and digital information displays. BOE is one of the leading suppliers of TFT displays in the global market, which also has production lines for manufacturing TFT modules mainly for consumer products like phones, tablets, notebook computers, monitors, televisions, vehicle displays and digital information displays. The Group is the sole platform of automotive display module and system business within the BOE Group.

REASONS FOR AND BENEFITS OF THE MASTER FRAMEWORK AGREEMENT

References are made to the announcements of the Company dated 20 August and 28 October 2021 and the circular dated 2 December 2021. The Group and BOE entered into the shareholders' agreement establishing Chengdu BOE. Chengdu BOE was formed for the purpose of, among others, expanding and maintaining the Group's leading position of the automotive display

business. As part of the above plan, the Group has to construct the plant, and purchase and lease the relevant equipment and related software.

Over the years, the BOE Group has accumulated extensive experience in producing equipment as well as providing construction and engineering services with the technical know-how and more than 70,000 patents. Being a well-established market leader in the industry and equipped with the well-established streamline supply chain and the profound technical maintenance team, the BOE Group can (i) supply and/or lease certain high-quality equipment and related software; and (ii) provide the Group with professional construction and engineering services for the expansion of manufacturing facilities in the PRC. Therefore, the Group regards the BOE Group as a competitive and reliable supplier and service provider which can offer (i) high quality equipment and related software or services at a competitive price; and (ii) efficient and professional after-sales and lease services.

By entering into the Master Framework Agreement, the Group would be benefited with the flexibility (but not an obligation) to purchase and lease equipment and related software, and procure construction and engineering services from the BOE Group. Moreover, it could allow the Group to obtain more competitive offer among equipment and related software suppliers and service providers which are market leaders. The transactions contemplated under the Master Framework Agreement can also facilitate the operation and growth of the Group's business.

The Directors (including the independent non-executive Directors) are of the view that (i) the Master Framework Agreement is entered into in the ordinary and usual course of business of the Group; (ii) the terms of the Master Framework Agreement (including its annual caps) are on normal commercial terms, and fair and reasonable; and (iii) entering into of the Master Framework Agreement is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

BOE(HK), a wholly-owned subsidiary of BOE, is a substantial shareholder of the Company holding approximately 54.31% of the issued share capital of the Company as at the date of this announcement. BOE is an associate of BOE(HK) and is thus a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Master Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios in respect of the annual caps under the Master Framework Agreement, on an annual basis, is more than 0.1% but less than 5%, the continuing connected transactions contemplated under the Master Framework Agreement are only subject

to the reporting, announcement and annual review requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

GENERAL

As at the date of this announcement, Mr. Gao Wenbao (“**Mr. Gao**”), an executive Director, holds 1,860,700 A shares of BOE, Mr. Su Ning (“**Mr. Su**”), an executive Director, holds 150,000 A shares of BOE, Mr. Shao Xibin (“**Mr. Shao**”), a non-executive Director, holds 787,600 A shares of BOE, Mr. Jin Hao (“**Mr. Jin**”), a non-executive Director, holds 628,800 A shares of BOE, and Mr. Zhang Jianqiang (“**Mr. Zhang**”), a non-executive Director, holds 641,500 A shares of BOE. In addition, Mr. Gao is a director and the president of the 10th board of directors, vice-chairman of the executive committee of BOE Technology Group, the chief executive officer of Display Business Group of BOE. Mr. Su is currently the general manager of automotive SBU of the Display Business Group of BOE. Mr. Shao is the chief new product officer of Display Business Group of BOE. Mr. Jin is a head of the production and sales management centre of Display Business Group of BOE and Display Device of BOE. Mr. Zhang is the head of financial operation management of Display Business Group of BOE and the regional financial director of BOE in Hefei.

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

DEFINITIONS

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

- “associate” : has the same meaning as ascribed to it under the Listing Rules
- “Board” : the board of Directors
- “BOE” : BOE Technology Group Co., Ltd., 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)
- “BOE(HK)” : BOE Technology (HK) Limited, a wholly-owned subsidiary of BOE

“BOE Group”	: BOE and its subsidiaries, for the purpose of this announcement, excluding the Group
“Chengdu BOE”	: Chengdu BOE Automotive Electronic Limited* (成都京東方汽車電子有限公司), a company established in the PRC with limited liability and a non-wholly owned subsidiary of the Company
“Company”	: BOE Varitronix Limited (stock code: 710), a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
“connected person”	: 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
“HK\$”	: Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	: the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	: the Rules Governing the Listing of Securities on the Stock Exchange
“Master Framework Agreement”	: a master framework agreement entered into between the Company and BOE dated 22 July 2022 in relation to (i) the purchase and lease of equipment and related software; and (ii) the provision of construction and engineering services from the BOE Group for a term from 22 July 2022 to 31 December 2024 (both days inclusive)
“PRC”	: the People’s Republic of China (for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan)
“Share(s)”	: the ordinary share(s) of HK\$0.25 each in the share capital of the Company
“Shareholder(s)”	: holder(s) of the Share(s)

“Stock Exchange” : The Stock Exchange of Hong Kong Limited

“substantial shareholder” : has the same meaning ascribed to it under the Listing Rules

“TFT” : thin film transistor

“TP” : touch panel

“%” : per cent

By Order of the Board
BOE Varitronix Limited
Gao Wenbao
Chairman

Hong Kong, dated 22 July 2022

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

** For identification purposes only*