

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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

CONTINUING CONNECTED TRANSACTION

**RENEWAL OF MASTER FRAMEWORK AGREEMENT
AND
PROCUREMENT TRANSACTIONS UNDER
REVISED AND NEW ANNUAL CAPS FOR FY2024 AND FY2025**

Reference is made to the announcement of the Company dated 22 July 2022. The Group has been conducting the Procurement Transactions with BOE pursuant to the Master Framework Agreement which will expire on 31 December 2024.

It is expected that demand for the Procurement Transactions may exceed the previous estimations, and the Existing Annual Cap will not be sufficient to meet the anticipated transaction amounts for FY2024. Further, the Company intends to continue carrying out the Procurement Transactions for FY2025. Accordingly, the Company and BOE entered into the New Master Framework Agreement which in effect replace the Master Framework Agreement on 29 May 2024 (after trading hours), pursuant to which the parties will conduct the Procurement Transactions under (i) the revised annual cap for FY2024 which in effect replace the Existing Annual Cap; and (ii) the new annual cap for FY2025.

LISTING RULES IMPLICATIONS

BOE(HK), a wholly-owned subsidiary of BOE, is a substantial shareholder of the Company holding approximately 53.02% 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. As such, the transactions contemplated under the Master Framework Agreement and the New Master Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, the Company shall re-comply with the requirements under Chapter 14A of the Listing Rules applicable to the revised annual cap for the transactions contemplated under the Master Framework Agreement before the Existing Annual Cap is exceeded.

Based on the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules, the New Master Framework Agreement and the transactions contemplated thereunder (including the revised annual cap for FY2024 and new annual cap for FY2025) are subject to the reporting, announcement and annual review requirements, but exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 22 July 2022. The Group has been conducting the Procurement Transactions with BOE pursuant to the Master Framework Agreement which will expire on 31 December 2024.

It is expected that demand for the Procurement Transactions may exceed the previous estimations, and the Existing Annual Cap will not be sufficient to meet the anticipated transaction amounts for FY2024. Further, the Company intends to continue carrying out the Procurement Transactions for FY2025. Accordingly, the Company and BOE entered into the New Master Framework Agreement which in effect replace the Master Framework Agreement on 29 May 2024 (after trading hours), pursuant to which the parties will conduct the Procurement Transactions under (i) the revised annual cap for FY2024 which in effect replace the Existing Annual Cap; and (ii) the new annual cap for FY2025.

NEW MASTER FRAMEWORK AGREEMENT

On 29 May 2024 (after trading hours), the Company and BOE entered into the New Master Framework Agreement. Save for the revision of the Existing Annual Cap and the entering into of the Procurement Transactions for FY2025, there is no material difference in the terms and conditions between the Master Framework Agreement and the New Master Framework Agreement. The salient terms of the New Master Framework Agreement are as follows:

Date

29 May 2024 (after trading hours)

Parties

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

Subject

Pursuant to the New Master Framework Agreement, the Group may engage the BOE Group to provide Procurement Transactions from time to time during the term of the New Master Framework Agreement.

The New 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 the Procurement Transactions with the BOE Group. The terms and conditions of such specific agreement, contract and/or purchase order shall be consistent with the terms of the New Master Framework Agreement.

For the avoidance of doubt, the Company and BOE Group are not contractually bound to conduct the transactions contemplated under the New 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 New 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

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

Prices will be determined by arm's length negotiation based on (i) the actual procurement procedure requirements; (ii) the relevant laws and regulations of tendering (if applicable); and (iii) the normal commercial terms, with reference to 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, under the following ways:

- (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) Leasing of equipment and related software

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

- (1) Written solicitation of quotations from at least two independent third party suppliers or market transaction prices for the same type of leased equipment and related software; or
- (2) Relevant costs and expenses such as depreciation of the leased equipment and related software, management fees, relevant tax expenses as well as a reasonable profit (being not more than 10% of the abovesaid relevant costs and expenses) if no comparable market price is available.

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.

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 proposed payment terms offered by the BOE Group are 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 New Master Framework Agreement will become effective on 29 May 2024 and expire on 31 December 2025 (both days inclusive).

HISTORICAL TRANSACTION AMOUNTS AND PROPOSED ANNUAL CAPS

Set out below are (i) the historical transaction amounts of the Procurement Transactions under the Master Framework Agreement for FY2022, FY2023 and the four months ended 30 April 2024; and (ii) the Existing Annual Cap for FY2022, FY2023 and FY2024:

	(i) Historical transaction amounts		
			For the four months ended
<i>(in HK\$'000)</i>	FY2022	FY2023	30 April 2024
	(audited)	(audited)	(unaudited)
Procurement Transactions	43,788	79,326	9,493

	(ii) Existing annual caps		
<i>(in HK\$'000)</i>	FY2022	FY2023	FY2024
Procurement Transactions	110,000	110,000	50,000

The table below sets out (i) the Existing Annual Cap; and (ii) the revised annual cap for FY2024 and the new annual cap for FY2025 under the New Master Framework Agreement:

	(i) Existing Annual Cap	
<i>(in HK\$'000)</i>	FY2024	FY2025
Procurement Transactions	50,000	-

<i>(in HK\$'000)</i>	(ii) Revised (FY2024) and new (FY2025) annual cap	
	FY2024	FY2025
Procurement Transactions	100,000	80,000

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

- (i) The historical transaction amount of the Procurement Transactions of the Group for FY2022, FY2023 and for the 4 months ended 30 April 2024;
- (ii) The estimated demand of the Procurement Transactions to support the Group's business operations for FY2024 and FY2025;
- (iii) The estimated amount for the purchases and leasing of various equipment and related software to expand the production capacity and enhance the production efficiency of the Group for FY2024 and FY2025;
- (iv) The expected increase in estimated costs of the Procurement Transactions with reference to the prevailing market prices; and
- (v) Certain buffer for fluctuation of market prices and change in specifications.

REASONS FOR AND BENEFITS OF PROCUREMENT TRANSACTIONS AND NEW MASTER FRAMEWORK AGREEMENT

Reference are made to the announcement of the Company dated 21 March 2024 in relation to the 2023 final results announcement. In order to remain competitive and to capture the upcoming business opportunities brought by the vibrant expanding automotive market, the Group has been setting up the New Plant throughout FY2022 and FY2023 to enhance product quality and develop unique and innovative products, such as extra-large automotive display, curved displays and display system. The set-up schedule of the New Plant has been extended due to various factors such as impact of COVID-19 pandemic, installation arrangement and utilization of production capacity, and certain equipment are rescheduled to be delivered after FY2023. In addition, the Board believes that there could be upcoming business opportunities in the automotive market for the Group's further expansion and create demand under the Procurement Transactions for FY2024 and FY2025.

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 80,000 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 on optimization of production efficiency, enhancement of product quality as well as expansion of manufacturing facilities. As such, the Directors believe that the BOE Group is a competitive and reliable supplier and service provider that 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 in long-term.

The Board believes that by entering into the New 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, which can improve the Group's production efficiency and effectiveness, achieve an overall lower marginal cost and ultimately reach optimal profitability.

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

INTERNAL CONTROL

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

- (a) The senior management of the procurement department of the Group shall conduct regular checks on a monthly basis to review and assess whether the Procurement Transactions are conducted in accordance with the terms of the New Master Framework Agreement;
- (b) 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 New Master Framework Agreement. Moreover, the internal audit department of the Group would report its findings to the audit committee of the Company semi-annually;

- (c) The finance department of the Group shall monitor and ensure that the annual caps under the New 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 New 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;
- (d) The Company's external auditors and the independent non-executive Directors will (i) review the transactions conducted pursuant to the New 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
- (e) The Director(s) who is interested in the relevant transaction(s) shall abstain from voting on matters related to the New Master Framework Agreement, the revised annual cap for FY2024 and the new annual cap for FY2025.

The Directors consider that the internal control system of the Group is adequate to ensure that the transactions contemplated under the New 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, 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), being the ultimate beneficial owner holding approximately 53.02% of the issued share capital of the Company as at the date of this announcement, is a supplier of semiconductor display technologies, products and services and its products are widely used in a broad spectrum of applications such as mobile phones, tablets, notebooks, monitors, televisions, vehicle displays and digital information displays. BOE is one of the major suppliers of TFT displays in the global market. BOE also has production lines for manufacturing TFT modules mainly for consumer products like phones, tablets, notebook computers, monitors, televisions, vehicle displays and digital information displays. The Group is the sole platform of automotive display module and system business within the BOE Group. The ultimate beneficiary of BOE is the State-owned Assets Supervision and Administration

Commission of the Beijing Municipal People's Government.

LISTING RULES IMPLICATIONS

BOE(HK), a wholly-owned subsidiary of BOE, is a substantial shareholder of the Company holding approximately 53.02% 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. As such, the transactions contemplated under the New Master Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Based on the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules, the New Master Framework Agreement and the transactions contemplated thereunder (including the revised annual cap for FY2024 and the new annual cap for FY2025) are subject to the reporting, announcement and annual review requirements, but exempt from the circular and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

GENERAL

As at the date of this announcement,

- (a) Mr. Gao Wenbao (“**Mr. Gao**”), an executive Director, holds 1,860,700 A shares of BOE, and is currently a director, a president and the vice chairman of the executive committee of the 10th Board of Directors of the BOE Group, and the chairman of Beijing Zhongxiangying Technology Co., Ltd. and other positions. Mr. Gao is also the group president and BOE University principal of the back-desk (business support system) of BOE, and the front-desk head of the display device and the Internet of things (“**IoT**”) innovation business of BOE;
- (b) Mr. Su Ning (“**Mr. Su**”), an executive Director, holds 150,000 A shares of BOE, and is currently a vice president of the BOE Group and the general manager of the front-desk of automotive Strategic Business Unit (“**SBU**”) of the display device and the IoT innovation business of BOE;
- (c) Mr. Shao Xibin (“**Mr. Shao**”), a non-executive Director, holds 687,600 A shares of BOE, and is currently the chief new product officer of the mid-desk of the technology and product of the mid-desk of the display device and the IoT innovation business of BOE, the deputy head of LCD product development centre of the mid-desk of the technology and product of the display device and the IoT innovation business of BOE, the deputy head of the mid-desk of the technology and the product mid-desk terminal product and technology development of the display device and the IoT innovation business of BOE;

- (d) Mr. Jin Hao (“**Mr. Jin**”), a non-executive Director, holds 189,750 A shares of BOE, and is currently the deputy person in charge of the mid-desk of the planning and operation of the mid-desk of the display device and the IoT innovation business of BOE, the deputy head of the mid-desk of the production and marketing operation centre of the planning and operation of the mid-desk of the display device and the IoT innovation business of BOE, the team leader of business operation team of the domestic marketing platform area of the front-desk of the display device and the IoT innovation business of BOE; and
- (e) Mr. Meng Chao (“**Mr. Meng**”), a non-executive Director, holds 537,500 A shares of BOE, and is currently the head of the financial operation management center in Display Devices and IoT Innovation Business of Chief Financial Officer (“**CFO**”) organisation of the back-desk of BOE (business support system), and the head of the back-desk (business support system) of CFO organisation of the budgeting center, and Vice Chief Financial Officer of the back-desk (business support system) of CFO organization.

Mr. Gao, Mr. Su, Mr. Shao, Mr. Jin and Mr. Meng presented at the Board meeting were not counted in the quorum and they have abstained from voting at the Board meeting approving the New Master Framework Agreement (including its annual caps). Save as disclosed above, none of the Directors has a material interest in the New 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:

- “affiliate(s)” : in relation to an entity, it means (i) any other entity controlling such entity directly or indirectly; (ii) any other entity controlled by such entity directly or indirectly; or (iii) any other entity under common control with such entity, and the term “control” means controlling through holding the majority of the shareholding, voting rights or through contractual arrangement.
- “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), a company established in the PRC with limited liability

- “BOE(HK)” : BOE Technology (HK) Limited, a company established in Hong Kong with limited liability, a wholly-owned subsidiary of BOE
- “BOE Group” : BOE, its subsidiaries and affiliates, for the purpose of this announcement, excluding the Group
- “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
- “Existing Annual Cap” : The annual cap of HK\$50 million for the anticipated maximum amount in respect of the Procurement Transactions under the Master Framework Agreement for the year ending 31 December 2024 as disclosed in the announcement of the Company dated 22 July 2022
- “FY2022” : the financial year ended 31 December 2022
- “FY2023” : the financial year ended 31 December 2023
- “FY2024” : the financial year ending 31 December 2024
- “FY2025” : the financial year ending 31 December 2025
- “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
- “LCD” : liquid crystal displays

“Listing Rules”	:	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Framework Agreement”	:	a master framework agreement in relation to the Procurement Transactions entered into between the Company and BOE dated 22 July 2022
“New Master Framework Agreement”	:	the new master framework agreement in relation to the Procurement Transactions entered into among the Company and BOE dated 29 May 2024
“New Plant”	:	the Group’s new TFT and TP display modules manufacturing facilities in Chengdu, the PRC
“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)
“Procurement Transactions”	:	all transactions contemplated under the Master Framework Agreement and the New Master Framework Agreement, pursuant to which the Group can conduct (i) the purchase and/ or lease of equipment and related software; and (ii) the provision of construction and engineering services from the BOE Group from time to time
“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 29 May 2024

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. Meng Chao are non-executive Directors, and Mr. Fung, Yuk Kan Peter, Mr. Chu, Howard Ho Hwa and Mr. Pang Chunlin are independent non-executive Directors.