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BOE

BOE VARITRONIX LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 710)

CONNECTED TRANSACTION ACQUISITION OF THE REMAINING 40% EQUITY INTEREST IN A JOINT VENTURE

Financial Adviser to the Company



SOMERLEY CAPITAL LIMITED

THE ACQUISITION

The Board is pleased to announce that on 12 August 2022 (after trading hours), Link Score and BOE entered into the Equity Transfer Agreement. Pursuant to the Equity Transfer Agreement, Link Score has agreed to acquire, and BOE has agreed to sell the Sale Shares at the cash consideration of RMB230 million.

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.

Pursuant to Rule 14A.81 of the Listing Rules, a series of connected transactions will be aggregated and treated as if they were one transaction if they were all completed within a 12-month period or were otherwise related. The Acquisition, when aggregated with the formation of the Joint Venture and the Capital Increase, would constitute a discloseable and connected transaction under the Listing Rules based on the results of the applicable percentage ratios. Since the Company has complied with the Listing Rules in respect of the requirements for a major and connected transaction contemplated under the Capital Increase, the Acquisition, with all applicable percentage ratios exceed 0.1% but less than 5%, constitutes a connected transaction of the Company on a standalone basis, and is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, but exempt from the independent Shareholders' approval requirement.

INTRODUCTION

Reference is made to the announcements of the Company dated 20 August and 28 October 2021 and the circular of the Company dated 2 December 2021 in relation to the formation of the Joint Venture and the Capital Increase. The Board is pleased to announce that on 12 August 2022 (after trading hours), Link Score and BOE entered into the Equity Transfer Agreement.

PRINCIPAL TERMS OF THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are summarised as follows:

- Date: 12 August 2022
- Parties: (1) Link Score, a wholly-owned subsidiary of the Company as purchaser; and
(2) BOE as seller.
- Subject matter: Link Score has agreed to acquire, and BOE has agreed to sell, 40% equity interest in the Joint Venture.
- Consideration: The Consideration is RMB230 million, shall be payable in cash by Link Score to BOE in the following manner:
- (1) RMB115 million, being 50% of the Consideration, within five (5) working days from the effective date of the Equity Transfer Agreement; and
 - (2) RMB115 million, being the remaining 50% of the Consideration, within five (5) working days from the date of the completion of the change in industrial and commercial registration for the Sale Shares.
- The Consideration was determined after arm's length negotiation between Link Score and BOE with reference to the unaudited net asset value of the Joint Venture, the prospect of the automotive display business and the future business development of the Group, the recent trading multiples of comparable companies and the capital contribution made by BOE to the Joint Venture.
- The Consideration is expected to be financed by the internal resources of the Group and/or external funding.
- Conditions precedent: The approval on the Acquisition having been obtained by both parties from relevant governing bodies and regulatory authorities.

Termination: Unless otherwise negotiated and agreed in writing by both parties, if the change in industrial and commercial registration for the Sale Shares and the payment of the Consideration are not completed before 31 October 2022, the Equity Transfer Agreement will be terminated. If Link Score paid any of the Consideration at that time, BOE shall return any of the Consideration paid by Link Score without interest as soon as possible after the termination of the Equity Transfer Agreement.

REASONS FOR AND BENEFITS OF THE ACQUISITION

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. For the year ended 31 December 2021, the Group recorded revenue and profit attributable to Shareholders of approximately HK\$7,738 million and HK\$328 million, representing year-on-year increases of approximately 71% and 378% respectively. The Group's revenue from TFT module business and touch panel display modules business increased by approximately 86% compared to 2020 and contributed approximately 85% of the Group's revenue in 2021. The increase in the Group's revenue in 2021 was mainly contributed by the commencement of mass production of TFT and touch panel display modules projects and overall increase in market demand in the automotive market in the PRC. As at 31 December 2021, the cash and fixed deposits balance of the Group was approximately HK\$2,267 million. The Group has strong cash position. According to the positive profit alert announcement published by the Company on 11 July 2022, the profit attributable to Shareholders for the six-month period ended 30 June 2022 is expected to record a significant increase in a range of 140% to 180% as compared with that of approximately HK\$95.1 million for the corresponding period in 2021. The significant increase was mainly due to (i) increase in sales of TFT and advanced display module solution to customers as a result of the enhanced marketing effort of the Group and high market demand; (ii) cost control measures of the Group; and (iii) the increase in net profit margin through economies of scales as a result of increase in sales.

According to the summary of a report titled "Automotive Smart Display Market Size Report, 2021-2028" issued by Grand View Research Inc. (being a market research and consulting company headquartered in San Francisco, providing syndicated research reports, customised research reports, and consulting services and operating database used by the world's renowned academic institutions 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 of approximately 6.2% from 2021 to reach approximately US\$16.98 billion in 2028. The management of the Company expects that the Group's revenue will continue to grow based on the order status of mass production projects which mainly drive from the increasing demand from TFT and touch panel display modules in the PRC and other regions such as Europe and Korea. The gradual mass production of high end display products like BD display, AMOLED display and display system solution in coming years will also contribute to the growth. It is expected that the Group will continue to enhance profitability level through further economies of scale as revenue increases. The Group has obtained mass production projects for major automobile manufacturers and established a strong relationship with its strategic partners, including major automobile manufacturers and new electrical vehicle manufacturers. In view of the prospect of TFT and touch panel display business set out above, the management of the Company believes the expansion in TFT and touch panel display module manufacturing facilities in Chengdu, the PRC through the establishment of the Joint Venture allows the Group to capture upcoming business opportunities and further expand its market share.

The Joint Venture is designed to manufacture TFT and touch panel display modules including the capacity for high-end display, which are regarded as the major growth engine of the Group's future operations. As at the date of this announcement, Link Score, Hefei BOE and BOE is interested in 20%, 40% and 40% in the Joint Venture respectively, and the Company (through its subsidiaries Link Score and Hefei BOE) is interested in 60% in the Joint Venture. The Joint Venture is currently a non-wholly-owned subsidiary of the Company. The management of the Company considers that, by acquiring the Sale Shares and upon completion of the Acquisition, the Company will obtain full control of the Joint Venture (through its subsidiaries Link Score and Hefei BOE) and the Joint Venture shall become a wholly-owned subsidiary of the Company and effectively enhance its management efficiency and foster the rapid growth of its business. With reference to the recent market, business development, profitability and strong financial position of the Group, it is our development strategy to strive to expand and maintain our leading position. The Acquisition, which we have clear understanding of the underlying prospect, risk and return of the business of the Joint Venture, shall give the Group confidence in its return. The financial results, assets and liabilities of the Joint Venture will continue to be consolidated into the consolidated financial statements of the Group. The completion of the Acquisition is expected to further enhance the Group's financial performance and return to the Shareholders (including BOE) in the long run and shall have better utilization of our financial resources.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreement are fair and reasonable, and the Acquisition is on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES TO THE EQUITY TRANSFER 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.

BOE, being the ultimate beneficial owner effectively holding approximately 54.31% of the issued share capital of the Company as at the date of this announcement, is 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 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.

INFORMATION ON THE JOINT VENTURE

The Joint Venture is a company incorporated in the PRC with limited liability in August 2021 and a non-wholly owned subsidiary of the Company. It is principally engaged in, among other things, manufacturing and sales of smart automotive equipment and display devices. As at the date of this announcement, Link Score, Hefei BOE and BOE is interested in 20%, 40% and 40% in the Joint Venture respectively.

The total committed capital contribution is RMB1.5 billion and Link Score, Hefei BOE and BOE has contributed RMB100 million, RMB200 million and RMB200 million, respectively as at the date of this announcement.

The following is a summary of financial information of the Joint Venture for the periods from (a) 26 August 2021 (date of incorporation) to 31 December 2021; and (b) 1 January 2022 to 31 March 2022:

	From 26 August 2021 (date of incorporation) to 31 December 2021 <i>(Approx. RMB'000)</i> <i>(Unaudited)</i>	From 1 January 2022 to 31 March 2022 <i>(Approx. RMB'000)</i> <i>(Unaudited)</i>
Net (loss)/profit before income tax for the period	(1,986)	1,261
Net (loss)/profit after income tax for the period	(1,986)	1,261

Based on the unaudited management account of the Joint Venture, the net assets value of the Joint Venture was approximately RMB499.3 million as at 31 March 2022.

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.

Pursuant to Rule 14A.81 of the Listing Rules, a series of connected transactions will be aggregated and treated as if they were one transaction if they were all completed within a 12-month period or were otherwise related. The Acquisition, when aggregated with the formation of the Joint Venture and the Capital Increase, would constitute a discloseable and connected transaction under the Listing Rules based on the results of the applicable percentage ratios. Since the Company has complied with the Listing Rules in respect of the requirements for a major and connected transaction contemplated under the Capital Increase, the Acquisition, with all applicable percentage ratios exceed 0.1% but less than 5%, constitutes a connected transaction of the Company on a standalone basis, and is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, but exempt from the independent Shareholders' approval requirement.

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 the deputy head of the centre of the planning and operation, and display device and IoT innovation business. 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 Equity Transfer Agreement and the transactions contemplated thereunder. Save as disclosed above, none of the Directors has a material interest in the Equity Transfer Agreement and the transactions contemplated thereunder 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:

“Acquisition”	the acquisition of the Sale Shares by Link Score from BOE pursuant to the Equity Transfer Agreement
“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 company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of BOE
“BOE Group”	BOE and its subsidiaries, for the purpose of this announcement, excluding the Group
“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
“Consideration”	the consideration of RMB230 million, which is payable by Link Score to BOE pursuant to the Equity Transfer Agreement
“Director(s)”	director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement entered into between Link Score and BOE on 12 August 2022
“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
“Joint Venture”	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 pursuant to the Shareholders’ Agreement
“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 announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	40% equity interest in the Joint Venture owned by BOE as at the date of this announcement
“Shares”	the ordinary shares of HK\$0.25 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Shareholders’ Agreement”	the shareholders’ agreement entered into among Link Score, Hefei BOE and BOE on 20 August 2021

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the same meaning as ascribed to it under the Listing Rules
“TFT”	thin film transistor
“%”	per cent

By order of the board of
BOE Varitronix Limited
Gao Wenbao
Chairman

Hong Kong, 12 August 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*