
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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.

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

BOE

BOE VARITRONIX LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 710)

**(1) CONNECTED TRANSACTION IN RELATION TO
SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE
(2) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL
AND
(3) NOTICE OF SPECIAL GENERAL MEETING**

Financial Adviser to the Company



SOMERLEY CAPITAL LIMITED

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



A letter from the Board is set out on pages 5 to 20 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the Shareholder Subscription is set out on page 21 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Shareholder Subscription is set out on pages 22 to 52 of this circular.

A notice convening the SGM of the Company to be held with a combination of a physical meeting at Units A – F, 35/F., Legend Tower, No. 7 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong and a virtual online meeting via electronic facilities on Friday, 14 October 2022 at 10 a.m. is set out on pages SGM-1 to SGM-4 of this circular. As set out in the sections headed “15. Hybrid SGM” and “16. How to vote at the SGM” in the letter from the Board of this circular, the SGM will be a hybrid meeting. The Company strongly encourages the Shareholders to exercise their rights to attend and vote at the SGM via electronic facilities. 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, 28 September 2022

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DEFINITIONS

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

“AGM”	the annual general meeting of the Company held on 30 June 2022
“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., 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 Group”	BOE and its subsidiaries
“BOE(HK)”	BOE Technology (HK) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of BOE
“Business Day”	any day (other than Saturday, Sunday or public holiday and days on which a tropical cyclone warning no. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong) on which licensed banks are generally opened for business in Hong Kong
“Company”	BOE Varitronix Limited (stock code: 710), whose 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
“controlling shareholder”	has the same meaning as ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“General Mandate”	the general mandate granted to the Directors by a resolution of Shareholders passed on 30 June 2022 to allot, issue and deal with unissued Shares not exceeding 20% of the total number of Shares in issue as at the date of passing such resolution

DEFINITIONS

“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
“Increase in Authorised Share Capital”	the proposed increase in authorised share capital of the Company from HK\$200,000,000 (divided into 800,000,000 Shares) to HK\$1,250,000,000 (divided into 5,000,000,000 Shares) by the creation of an additional 4,200,000,000 new Shares
“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 Shareholder Subscription Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	Optima Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on 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 Shareholder Subscription Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than BOE(HK), its associates, and Shareholder(s) having material interests in the Shareholder Subscription Agreement and the Shareholder Subscription
“Last Trading Day”	1 September 2022, being the last trading day prior to the signing of the Shareholder Subscription Agreement
“Latest Practicable Date”	23 September 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Committee”	the listing committee of the Stock Exchange

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 November 2022 (or such other date as the Company and BOE(HK) may agree in writing)
“Option Shares”	Shares that may be allotted and issued upon the full exercise of share options outstanding as at the Latest Practicable Date under the Share Option Scheme
“Placing”	the placement of 33,300,000 new Shares at the placing price of HK\$15.20 per Share pursuant to the terms of the Placing Agreement completed on 9 September 2022
“Placing Agreement”	the placing agreement entered into between the Company (as issuer) and Credit Suisse (Hong Kong) Limited (as placing agent) dated 1 September 2022 in relation to the Placing
“PRC”	the People’s Republic of China
“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 Shareholder Subscription Agreement and the transactions contemplated thereunder, the Specific Mandate, and the Increase in Authorised Share Capital
“Share(s)”	the ordinary share(s) of HK\$0.25 each in the share capital of the Company
“Share Option Scheme”	the fourth share option scheme of the Company adopted on 3 June 2013
“Shareholder Subscription”	the subscription of the Subscription Shares by BOE(HK) pursuant to the terms of the Shareholder Subscription Agreement

DEFINITIONS

“Shareholder Subscription Agreement”	the conditional share subscription agreement entered into between the Company and BOE(HK) dated 1 September 2022 in relation to the Shareholder Subscription
“Shareholders”	holders of the Shares
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the SGM to authorise the Board to issue the Subscription Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$15.20 per Subscription Share
“Subscription Share(s)”	19,730,000 new Shares to be allotted and issued pursuant to the Shareholder Subscription Agreement and each a “Subscription Share”
“substantial shareholder”	has the same meaning as ascribed to it under the Listing Rules
“TFT”	thin film transistor
“%”	per cent.

LETTER FROM THE BOARD



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
Mr. Zhang Jianqiang

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

28 September 2022

To the Shareholders

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION IN RELATION TO
SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE
(2) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL
AND
(3) NOTICE OF SPECIAL GENERAL MEETING**

1. INTRODUCTION

Reference is made to the announcement of the Company dated 1 September 2022 in relation to the Placing, the Shareholder Subscription and the Increase in Authorised Share Capital.

On 1 September 2022 (after trading hours), the Company and Credit Suisse (Hong Kong) Limited entered into the Placing Agreement, pursuant to which the Company has agreed to allot and issue and Credit Suisse (Hong Kong) Limited has agreed, as placing agent of the Company, to procure on a best effort basis not less than six subscribers to subscribe for 33,300,000 Shares at the placing price of HK\$15.20 per Share, for a total gross cash consideration of

LETTER FROM THE BOARD

HK\$506,160,000. The closing of the Placing took place on 9 September 2022 in accordance with the terms and conditions of the Placing Agreement, whereby an aggregate of 33,300,000 Shares, representing approximately 4.33% of the total issued share capital of the Company as at the Latest Practicable Date, were successfully placed to 28 placees.

On 1 September 2022 (after trading hours), the Company and BOE(HK) also entered into the Shareholder Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue and BOE(HK) has conditionally agreed to subscribe for 19,730,000 Subscription Shares at the Subscription Price of HK\$15.20 per Subscription Share, which is same as the placing price under the Placing Agreement, for a total gross cash consideration of HK\$299,896,000.

Each of the Placing and the Shareholder Subscription forms part and parcel of the fund raising plan of the Company to expand its new TFT and touch panel display module manufacturing business in the PRC and to strengthen the Group's working capital. In order to minimise the impact on Share price fluctuation caused by the possible market reaction to the Placing and the Shareholder Subscription and avoid any unfair treatment to the placees and/or the subscriber, the Company entered into the Placing Agreement and the Shareholder Subscription Agreement on the same date.

In addition to the Placing and the Shareholder Subscription, the Board proposes to increase the authorised share capital of the Company from HK\$200,000,000 divided into 800,000,000 Shares to HK\$1,250,000,000 divided into 5,000,000,000 Shares by the creation of an additional 4,200,000,000 new Shares in order for the Company to accommodate the future expansion and growth of the Group. Further details are set out in the section headed "10. Proposed Increase in Authorised Share Capital" in this letter below.

The purposes of this circular are to provide you with, among other things, (i) further information on the Shareholder Subscription Agreement, the transactions contemplated thereunder, and the Increase in Authorised Share Capital; (ii) a letter from the Independent Board Committee containing its advice to the Independent Shareholders in respect of the Shareholder Subscription Agreement and the transactions contemplated thereunder; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Shareholder Subscription Agreement and the transactions contemplated thereunder; (iv) the notice convening the SGM; (v) the relevant proxy form; and (vi) other information as required under the Listing Rules.

2. PRINCIPAL TERMS OF THE SHAREHOLDER SUBSCRIPTION AGREEMENT

Date

1 September 2022

Parties

- (1) the Company (as the issuer); and
- (2) BOE(HK) (as the subscriber).

LETTER FROM THE BOARD

Subscription Shares

19,730,000 new Shares to be issued to BOE(HK), representing (i) approximately 2.56% of the existing issued Shares as at the Latest Practicable Date; and (ii) approximately 2.50% of the issued Shares as enlarged by the allotment and issue of the Subscription Shares (assuming no other change in the issued Shares from the Latest Practicable Date to the closing date of the Shareholder Subscription).

The aggregate nominal value of the Subscription Shares will be HK\$4,932,500.

The size of the Shareholder Subscription was arrived at after arm's length negotiations between the Company and BOE(HK) with reference to (i) the financial position and funding needs of the Group; and (ii) the recent market condition.

Subscription Price

The Subscription Price of HK\$15.20 per Subscription Share represents:

- (i) a discount of approximately 7.20% to the closing price of HK\$16.38 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 11.83% to the average closing price of approximately HK\$17.24 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days prior to the Last Trading Day;
- (iii) a discount of approximately 14.12% to the average closing price of approximately HK\$17.70 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days prior to the Last Trading Day;
- (iv) a premium of approximately 26.04% over the average closing price of approximately HK\$12.06 per Share as quoted on the Stock Exchange for the last six (6) months prior to the Last Trading Day;
- (v) a premium of approximately 9.67% over the closing price of HK\$13.86 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (vi) a premium of approximately 265.38% over the unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$4.16 per Share as at 30 June 2022 calculated based on the unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$3,061.4 million as at 30 June 2022 and 736,595,204 Share in issue as at the date of the announcement in relation to, among others, the Shareholder Subscription Agreement; and
- (vii) a premium of approximately 228.29% over the adjusted unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$4.63 per Share as at 30 June 2022 calculated based on the unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$3,061.4 million as at 30 June 2022, plus the net proceeds from the Placing of approximately HK\$499.8 million and 769,895,204 Shares in issue as at the Latest Practicable Date.

LETTER FROM THE BOARD

The Subscription Price was determined after arm's length negotiations between the Company and BOE(HK) with reference to (i) the prevailing market price of the Shares; (ii) the recent market condition; and (iii) the net asset value of the Group as at 30 June 2022. Although the Subscription Price represents a discount to the recent market Share prices, taking into account the fact that (a) the Subscription Price represents a premium of approximately 265.38% and 228.29% over the unaudited consolidated net asset value and the adjusted unaudited consolidated net asset value attributable to the Shareholders per Share as at 30 June 2022 respectively; (b) the Subscription Price represents a premium of approximately 26.04% over the average closing price of approximately HK\$12.06 per Share as quoted on the Stock Exchange for the last six (6) months prior to the Last Trading Day; (c) the reasons for and benefits of the Shareholder Subscription as discussed in the section headed "5. Reasons for and benefits of the Shareholder Subscription" in this letter below; (d) the recent volatile market conditions; and (e) the Subscription Price is same as the placing price under the Placing Agreement entered into with independent third parties, the Directors (other than (i) Mr. Gao Wenbao, Mr. Su Ning, Mr. Shao Xibin, Mr. Jin Hao and Mr. Zhang Jianqiang, who are required to abstain from voting on the relevant Board resolution due to their positions in the BOE Group and their shareholding interest in BOE; and (ii) the independent non-executive Directors who have expressed their views in the letter from the Independent Board Committee contained in this circular after considering the advice of the Independent Financial Adviser) consider that the Subscription Price is, on balance, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The total Subscription Price shall be payable by BOE(HK) in cash on the closing date of the Shareholder Subscription in accordance with the Shareholder Subscription Agreement.

Ranking of the Subscription Shares

The Subscription Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects among themselves and with the Shares in issue on the closing date of the Shareholder Subscription.

Conditions precedent of the Shareholder Subscription Agreement

The Shareholder Subscription Agreement is conditional upon the following conditions being satisfied:

- (i) the Independent Shareholders having passed resolution at the SGM to approve the Shareholder Subscription Agreement and the transactions contemplated thereunder, and the Specific Mandate;
- (ii) the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Subscription Shares, and such approval not having been revoked or withdrawn (including unconditional approval or conditional approval subject to the general conditions proposed by the Stock Exchange); and
- (iii) BOE(HK) having obtained all necessary consents, approvals and/or the filings for the Shareholder Subscription Agreement and the Shareholder Subscription from its internal governing bodies and relevant regulatory authorities.

LETTER FROM THE BOARD

To the knowledge of the Company, insofar as the condition precedent (iii) as set out above is concerned, BOE(HK) requires the approval from its board of directors in respect of the Shareholder Subscription Agreement, and the consents, the approvals and/or filings from the Beijing Municipal Commerce Bureau, Beijing Municipal Commission of Development and Reform and Beijing Municipal Administration of Foreign Exchange for the transfer of funds to BOE(HK) from its shareholder for the settlement of the consideration for the Shareholder Subscription. As at the Latest Practicable Date, BOE(HK) has obtained the requisite approval from its board of directors in relation to the Shareholder Subscription Agreement. Save as disclosed above, none of the conditions precedent under the Shareholder Subscription Agreement have been satisfied. None of the conditions precedent under the Shareholder Subscription Agreement is waivable, unless the parties otherwise agree in writing in respect of the condition precedent (iii).

For the avoidance of doubt, the Placing and the Shareholder Subscription are not inter-conditional with each other. The closing of the Shareholder Subscription is subject to the satisfaction of the conditions precedent in the Shareholder Subscription Agreement as disclosed in this circular.

Closing and Termination of the Shareholder Subscription

Closing of the Shareholder Subscription shall take place on the third (3rd) Business Day after the day on which the last condition precedent as set out in the Shareholder Subscription Agreement is fulfilled (or such other date as the Company and BOE(HK) may agree in writing).

If any of the conditions precedent as set out in the Shareholder Subscription Agreement is not fulfilled prior to the Long Stop Date, the Shareholder Subscription Agreement shall cease to be of any effect, save for certain clauses that customarily survive termination as stipulated in the Shareholder Subscription Agreement such as confidentiality, notice, costs, severability, governing law and third party rights, and claims arising out of any breaches prior to the termination of the Shareholder Subscription Agreement.

If either BOE(HK) or the Company fails to fulfil all closing obligations on the closing date, the other party to the Shareholder Subscription Agreement shall have no obligation to fulfil its closing obligations and may, without prejudice to any other right or remedy available to it, elect to (i) postpone the closing date for up to 28 days; (ii) waive (without affecting the rights of the non-breaching party under the Shareholder Subscription Agreement) the obligations of the breaching party and proceed with the closing to the extent practicable; or (iii) terminate the Shareholder Subscription Agreement without any liability save that the termination does not affect any rights or remedies accrued prior to the termination of the Shareholder Subscription Agreement.

The Company does not intend to agree to extend (i) the Long Stop Date beyond 30 November 2022 unless any such approval as referred to in the sub-section headed “Conditions precedent of the Shareholder Subscription Agreement” in this letter above is not ready by that date in light of any event or circumstance beyond the control of the management of the Company or BOE(HK) (as the case may be) or (ii) the closing date to any date later than the third (3rd) Business Day after the fulfilment of the last condition precedent barring any unforeseen circumstance beyond the control of the Company or BOE(HK).

LETTER FROM THE BOARD

3. INFORMATION ON THE PARTIES TO THE SHAREHOLDER SUBSCRIPTION AGREEMENT

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.

BOE(HK), a wholly-owned subsidiary of BOE, is the controlling shareholder and therefore a substantial shareholder of the Company holding approximately 51.96% of the issued share capital of the Company as at the Latest Practicable Date. 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 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, automotive 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, automotive displays and digital information displays. The Group is the sole platform of automotive display module and system business within the BOE Group.

4. SPECIFIC MANDATE

The Shareholder Subscription is subject to the Independent Shareholders' approval. The Subscription Shares will be allotted and issued under the Specific Mandate to be proposed for approval by the Independent Shareholders by way of an ordinary resolution at the SGM.

5. REASONS FOR AND BENEFITS OF THE SHAREHOLDER SUBSCRIPTION

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. For the six months ended 30 June 2022, the Group recorded revenue and profit attributable to Shareholders of approximately HK\$4,831 million and HK\$251 million, representing increases of approximately 51% and 164% respectively when compared with the same period of 2021. The Group's revenue has increased across most of geographical regions as a result of increase in sales of TFT and touch panel display modules to customers, especially in the PRC. Such increase in revenue is mainly contributed by the commencement of mass production of TFT and touch panel display modules projects and overall increase in market demand and average selling price in the automotive market. The Group's TFT module business and touch panel display modules business contributed approximately 87% of the Group's revenue in the first half of 2022.

LETTER FROM THE BOARD

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 Group has maintained strong relationships with its strategic partners, including major automobile manufacturers and new energy vehicle manufacturers and has been engaged by major automobile manufacturers for mass production projects. The management of the Company expects that the Group’s revenue will continue to grow based on the order status of mass production projects, mainly driven by the increasing demand from TFT and touch panel display modules in the PRC and other regions such as Europe and Korea.

The existing manufacturing facilities in Heyuan of the PRC has been highly utilised. To capture the upcoming business opportunities and further expand its market share in the automotive display industry, the Group has established the project of setting up its new TFT and touch panel display module manufacturing facilities in Chengdu of the PRC (the “**Project**”) and expects that the new facilities to commence production in late 2022 or early 2023. The total estimated investment amount of the Project is RMB2,500 million, of which (i) approximately 2% shall be used for the acquisition of land with an area of approximately 151,000 square meters; (ii) approximately 28% shall be allocated for the construction of the plant, including module assembly and optical bonding lines with an annual production capacity of approximately 15 million automotive display devices; (iii) about one-third of the amount shall be used as the working capital for daily operations of the Project; and (iv) the remaining amount shall be mainly used for purchases of various equipment.

As at 31 August 2022, approximately RMB431.7 million had been applied for the Project, in which approximately (i) RMB40.7 million was applied for the acquisition of land; (ii) RMB340.8 million was applied for the plant construction; (iii) RMB3.2 million was applied for the working capital for daily operations; and (iv) approximately RMB47.0 million was applied for purchases of various equipment. The remaining funding needs for the Project is expected to be approximately RMB2,068.3 million (i.e. total estimated investment amount of RMB2,500 million less the invested amount of approximately RMB431.7 million) up to the end of 2023 and will be satisfied by (i) the net proceeds from the Placing of approximately HK\$499.8 million (equivalent to approximately RMB439.8 million); (ii) the net proceeds from the Shareholder Subscription of approximately HK\$299.0 million (equivalent to approximately RMB263.1 million); and (iii) approximately RMB1,365.4 million by internal resources and/or external funding, including but not limited to debt financing.

In addition to the remaining funding needs for the Project of approximately RMB2,068.3 million and the general working capital requirement, the Group needs to reserve optimal cash and cash equivalents for the possible capital expenditure and business opportunities of the Group in view of the growth prospect of the TFT and touch panel display business as set out

LETTER FROM THE BOARD

above. In relation to the possible capital expenditure in future, the Group's policy is to ensure that it maintains sufficient reserves of cash and cash equivalents and adequate committed lines of funding from major financial institutions to meet its optimal liquidity requirements from time to time in the short and longer term. Taking into account (i) the cash and fixed deposits balance of the Group of approximately HK\$2,263 million (equivalent to approximately RMB1,991.4 million) as at 30 June 2022, and (ii) the net proceeds from the Placing of approximately HK\$499.8 million (equivalent to approximately RMB439.8 million), even if the Company allocated approximately RMB2,068.3 million from all of the cash and fixed deposits balance of the Group as at 30 June 2022 and net proceeds from the Placing for the remaining funding needs for the Project, the Company would still need to consider raising more funds to meet the funding needs for the working capital and general corporate use for the Group. As explained further below, the Company has compared the different means of financing and considered that the Shareholder Subscription, as compared to other means, would help the Group raise the requisite funds while maintaining a healthy debt level. In light of the foregoing, the Company conducted the Shareholder Subscription to raise the requisite funds to satisfy the remaining funding needs of the Project and the Group's working capital and general corporate use.

Furthermore, the Shareholder Subscription also demonstrates the confidence of BOE in the Company's long-term business development and prospects, and enlarges the Company's equity base to support the healthy and sustainable development of the Company. Apart from the Shareholder Subscription, BOE Group will continue to supply TFT panels and provide technical support so as to enable the Group's business to expand rapidly under keen competition, and the Group will continue to be the sole platform of automotive display module and system business within the BOE Group. Notwithstanding that the shareholding interests held by the existing public Shareholders would be diluted by 1.19 percentage points as a result of the Shareholder Subscription (assuming no other changes to the total issued share capital of the Company between the Latest Practicable Date to the date of closing of the Shareholder Subscription) as illustrated in the table as set out in the section headed "7. Effect on the share capital of the Company as a result of the Shareholder Subscription" in this letter below, after taking into account (i) the reasons for and benefits of the Shareholder Subscription set out above; and (ii) the terms of the Shareholder Subscription (including the Subscription Price) being fair and reasonable, the Board is of the view that the said level of dilution to the shareholding interests of the existing public Shareholders as a result of the Shareholder Subscription (being immaterial) is acceptable.

The Company has considered other forms of equity financing (such as a rights issue or an open offer). Other forms of equity financing generally would (i) incur a higher amount of additional costs, including but not limited to, underwriting commission, documentation and other professional fees; and (ii) take a longer time for completion and expose to higher degree of uncertainties when compared to the Shareholder Subscription taking into account the longer time required for preparation of documentation and approval as compared to that of the Shareholder Subscription, especially amid recent volatile market conditions. In relation to debt financing, the growth of further borrowings, if outpacing the Group's growth in income stream, would create additional interest burden.

LETTER FROM THE BOARD

In contrast, fund-raising by way of the Shareholder Subscription enables the Group to quickly obtain financial support from BOE, its controlling shareholder to meet its funding needs. In light of the foregoing, the Company considers it more desirable to meet the remaining funding needs of the Project and the funding needs for the working capital and general corporate use for the Group first by the Placing and Shareholder Subscription and then by other financing means to the extent that the net proceeds from the Placing and Shareholder Subscription are insufficient to meet the aforesaid funding needs of the Group. In the future, the Company may consider different means of financing, including but not limited to, debt financing to further develop its TFT and touch panel display module manufacturing business if required, while maintaining a healthy debt level of the Group.

Having considered (a) the funding needs of the Group; (b) the benefits of the Shareholder Subscription; (c) the immaterial dilution to the shareholding interests of the existing public Shareholders as a result of the Shareholder Subscription; and (d) the drawbacks of other forms of financing discussed above, the Directors (other than (i) Mr. Gao Wenbao, Mr. Su Ning, Mr. Shao Xibin, Mr. Jin Hao and Mr. Zhang Jianqiang, who are required to abstain from voting on the relevant Board resolution due to their positions in the BOE Group and their shareholding interest in BOE; and (ii) the independent non-executive Directors who have expressed their views in the letter from the Independent Board Committee contained in this circular after considering the advice of the Independent Financial Adviser) consider that, although the Shareholder Subscription Agreement and the transactions contemplated thereunder are not conducted in the ordinary and usual course of business of the Group, the terms of the Shareholder Subscription Agreement (including the Subscription Price) are fair and reasonable, and the Shareholder Subscription Agreement is on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

6. USE OF PROCEEDS OF THE SHAREHOLDER SUBSCRIPTION

The gross proceeds from the Shareholder Subscription will be approximately HK\$299.9 million. After deducting all fees, costs and expenses incurred by the Company in connection with the Shareholder Subscription, the net proceeds from the Shareholder Subscription is expected to be approximately HK\$299.0 million. After deducting such fees, costs and expenses, the estimated net Subscription Price is approximately HK\$15.15 per Subscription Share.

The Company intends to apply the estimated net proceeds of approximately HK\$299.0 million from the Shareholder Subscription for the Project, of which approximately (i) HK\$53.9 million for the plant construction; (ii) HK\$153.7 million for purchases of various equipment; and (iii) HK\$91.4 million for working capital for the daily operations, such as for the purchase of raw material and consumables, payment for utilities and staff remuneration. The Company expects to utilise the net proceeds from the Shareholder Subscription in 2022 and 2023.

LETTER FROM THE BOARD

7. EFFECT ON THE SHARE CAPITAL OF THE COMPANY AS A RESULT OF THE SHAREHOLDER SUBSCRIPTION

As at the Latest Practicable Date, the Company has 769,895,204 Shares in issue. Set out below is a table illustrating the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon the allotment and issue of the Subscription Shares (assuming no other change of the number of the issued Shares from the Latest Practicable Date to the closing date of the Shareholder Subscription).

Shareholders	As at the Latest Practicable Date		Immediately upon the allotment and issue of the Subscription Shares	
	No. of Shares	Approx. (%)	No. of Shares	Approx. (%)
<i>Substantial and controlling shareholder</i>				
BOE(HK)	400,000,000	51.96	419,730,000	53.16
<i>Directors</i>				
Ko Wing Yan, Samantha	657,000	0.09	657,000	0.08
Su Ning	660,000	0.09	660,000	0.08
Fung, Yuk Kan Peter	82,000	0.01	82,000	0.01
Chu, Howard Ho Hwa	82,000	0.01	82,000	0.01
Hou Ziqiang	61,000	0.01	61,000	0.01
Sub-total of substantial and controlling shareholder and Directors	401,542,000	52.16	421,272,000	53.35
Public Shareholders	368,353,204	47.84	368,353,204	46.65
Total	769,895,204	100.00	789,625,204	100.00

Note: The aggregate of the percentage figures in the table above may not add up to the relevant sub-total or total percentage figures shown due to rounding of the percentage figures to two decimal places. Percentages may not add up to 100% due to rounding.

Based on the Subscription Price, the Shareholder Subscription will have a theoretical dilution effect (as defined in Rule 7.27B of the Listing Rules) of approximately 0.30%, which does not exceed the 25% theoretical dilution effect threshold as imposed by Rule 7.27B of the Listing Rules.

LETTER FROM THE BOARD

8. FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD

On 1 September 2022, the Company and Credit Suisse (Hong Kong) Limited entered into the Placing Agreement, pursuant to which the Company has agreed to allot and issue and Credit Suisse (Hong Kong) Limited has agreed, as placing agent of the Company, to procure on a best effort basis not less than six subscribers to subscribe for 33,300,000 Shares at the placing price of HK\$15.20 per Share, for a total gross cash consideration of HK\$506,160,000. The closing of the Placing took place on 9 September 2022 in accordance with the terms and conditions of the Placing Agreement, where an aggregate of 33,300,000 Shares were successfully placed to 28 placees, who, together with their respective ultimate beneficial owners, to the best of the knowledge, information and belief of the Directors, are third parties independent of, and not connected with the Company and its connected person. Such Shares were issued under the General Mandate as approved at the AGM. The Company intends to use the net proceeds from the Placing of approximately RMB499.8 million to strengthen the financial position of the Group and provide working capital to the Group to expand its TFT and touch panel display module manufacturing business in the PRC. As at the Latest Practicable Date, the Company has not utilised any of the net proceeds from the Placing and the entire amount was deposited with a licensed bank in Hong Kong. The Company expects to utilise the net proceeds from the Placing in 2022 and 2023.

For further details in relation to the Placing, please refer to the Company's announcements dated 1 September and 9 September 2022.

9. APPLICATION FOR LISTING

An application has been made to the Listing Committee for the listing of, and permission to deal in, the Subscription Shares on the Stock Exchange.

10. PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$200,000,000 divided into 800,000,000 Shares, of which 769,895,204 Shares have been allotted and issued. Upon the completion of the Shareholder Subscription and the issuance of 2,450,000 Option Shares (if all outstanding options granted under the Share Option Scheme are exercised), the total number of Shares allotted and issued will increase to 792,075,204 (assuming no other change in the issued Shares from the Latest Practicable Date to the date of completion of the Shareholder Subscription and issuance of the Option Shares).

In order for the Company to accommodate the future expansion and growth of the Group, the Board proposes to increase the authorised share capital of the Company from HK\$200,000,000 divided into 800,000,000 Shares to HK\$1,250,000,000 divided into 5,000,000,000 Shares by the creation of an additional 4,200,000,000 new Shares. The Board is of the opinion that the Increase in Authorised Share Capital is in the interests of the Company and the Shareholders as a whole. As at the Latest Practicable Date, the Board had no present intention to issue any Shares from proposed Increase in Authorised Share Capital.

The proposed Increase in Authorised Share Capital is subject to the approval by the Shareholders by way of an ordinary resolution at the SGM.

LETTER FROM THE BOARD

11. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, BOE(HK) is the controlling shareholder and therefore a substantial shareholder of the Company, holding approximately 51.96% of the issued share capital of the Company, and hence is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Shareholder Subscription Agreement constitute connected transactions of the Company and are subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Subscription Shares will be allotted and issued under the Specific Mandate to be proposed for approval by the Independent Shareholders by way of an ordinary resolution at the SGM.

12. 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 Shareholder Subscription Agreement and the transactions contemplated thereunder.

Optima Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Shareholder Subscription Agreement and the transactions contemplated thereunder.

13. GENERAL

BOE(HK) is the controlling shareholder and therefore a substantial shareholder of the Company, holding approximately 51.96% of the issued share capital of the Company. BOE is an associate of BOE(HK) and is thus a connected person of the Company under the Listing Rules. As at the Latest Practicable Date, Mr. Gao Wenbao (“**Mr. Gao**”), an executive Director, held 1,860,700 A shares of BOE, Mr. Su Ning (“**Mr. Su**”), an executive Director, held 150,000 A shares of BOE, Mr. Shao Xibin (“**Mr. Shao**”), a non-executive Director, held 787,600 A shares of BOE, Mr. Jin Hao (“**Mr. Jin**”), a non-executive Director, held 628,800 A shares of BOE, and Mr. Zhang Jianqiang (“**Mr. Zhang**”), a non-executive Director, held 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. In view of the above, Mr. Gao, Mr. Su, Mr. Shao, Mr. Jin and Mr. Zhang might be considered as having material interests in the Shareholder Subscription Agreement and the Shareholder Subscription, and thus have abstained from voting on the relevant Board resolution.

LETTER FROM THE BOARD

A notice convening the SGM is set out on pages SGM-1 to SGM-4 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 online meeting via electronic facilities on Friday, 14 October 2022 at 10 a.m. for the purposes of considering and, if thought fit, approving (i) the Shareholder Subscription Agreement and the transactions contemplated thereunder and the Specific Mandate; and (ii) the Increase in Authorised Share Capital. The voting in relation to the (i) Shareholder Subscription Agreement and the transactions contemplated thereunder and the Specific Mandate; and (ii) the Increase in Authorised Share Capital will be conducted by way of poll.

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 on the form 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 Wednesday, 12 October 2022 to Friday, 14 October 2022 (both days inclusive), during which 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 Tuesday, 11 October 2022.

Any Shareholders with a material interest in the Shareholder Subscription Agreement and the transactions contemplated thereunder shall abstain from voting on the relevant resolution at the SGM. BOE(HK), a substantial shareholder of the Company and a subsidiary of BOE having material interest in the Shareholder Subscription Agreement and the transactions contemplated thereunder, is required to abstain from voting on the relevant resolution at the SGM. As at the Latest Practicable Date, BOE(HK) held 400,000,000 Shares, representing approximately 51.96% of the total issued share capital of the Company. Mr. Su, an executive Director interested in 660,000 Shares, representing approximately 0.09% of the total issued share capital of the Company as at the Latest Practicable Date, held 150,000 A shares of BOE as at the Latest Practicable Date. Mr. Su might be considered as having interest in the Shareholder Subscription Agreement and the transactions contemplated thereunder and will abstain from voting on the relevant resolution at the SGM. Save as disclosed above, 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 resolution at the SGM.

LETTER FROM THE BOARD

14. RECOMMENDATION

The Directors (other than (i) Mr. Gao, Mr. Su, Mr. Shao, Mr. Jin and Mr. Zhang, who are required to abstain from voting on the relevant Board resolution due to their positions in the BOE Group and their shareholding interest in BOE; and (ii) the independent non-executive Directors who have expressed their views in the letter from the Independent Board Committee contained in this circular after considering the advice of the Independent Financial Adviser) consider that, although the Shareholder Subscription Agreement and the transactions contemplated thereunder are not conducted in the ordinary and usual course of business of the Group, the terms of the Shareholder Subscription Agreement (including the Subscription Price) are fair and reasonable, and the Shareholder Subscription Agreement is on normal commercial terms and in the interests of the Company and the Shareholders as a whole. The Board is of the opinion that the Increase in Authorised Share Capital is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend (i) the Independent Shareholders vote in favour of the relevant resolution in relation to the Shareholder Subscription Agreement and the transactions contemplated thereunder; and (ii) the Shareholders vote in favour of the relevant resolution in relation to the Increase in Authorised Share Capital, at the SGM.

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 21 of this circular; and
- (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 22 to 52 of this circular.

Since the closing of the Shareholder Subscription is subject to the satisfaction of the conditions precedent set out in the Shareholder Subscription Agreement, the Shareholder Subscription may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

15. HYBRID SGM

The Company will conduct a hybrid SGM using Computershare e-Meeting System, which allows Shareholders to participate in the SGM online in a convenient and efficient way from anywhere with 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.

LETTER FROM THE BOARD

Although Shareholders are welcome to attend the SGM physically in person if they so wish, the Company strongly encourages 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 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 6:00 p.m. (Monday to Friday, excluding Hong Kong public holidays).

16. 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 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 10 October 2022 for arrangement.

LETTER FROM THE BOARD

17. ADDITIONAL INFORMATION

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

For the purpose of this letter from the Board, unless the context otherwise requires, conversion of Hong Kong dollars into Renminbi is based on the approximate exchange rate of RMB1.00 to HK\$1.1364. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Hong Kong dollars or Renminbi have been, could have been or may be converted at such or any other rate or at all.

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



BOE VARITRONIX LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 710)

28 September 2022

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION IN RELATION TO
SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE**

We refer to the circular of the Company dated 28 September 2022 (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 by the Board to form the Independent Board Committee to advise the Independent Shareholders as to whether, in our opinion, the terms of the Shareholder Subscription Agreement (including the Subscription Price) are fair and reasonable, and whether the Shareholder Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms, conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Optima 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 22 to 52 of the Circular.

Having considered the terms of Shareholder Subscription Agreement and the advice of the Independent Financial Adviser, we are of the opinion that the terms of the Shareholder Subscription Agreement (including the Subscription Price) are fair and reasonable so far as the Independent Shareholders are concerned. Although the Shareholder Subscription Agreement and the transactions contemplated thereunder are not conducted in the ordinary and usual course of business of the Group, they are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders vote in favour of the ordinary resolution to be proposed at the SGM to approve the Shareholder Subscription 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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from Optima Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Shareholder Subscription, and prepared for the purpose of incorporation into the circular.



Suite 1501, 15th Floor
Jardine House
1 Connaught Place
Central, Hong Kong

28 September 2022

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

CONNECTED TRANSACTION INVOLVING SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Shareholder Subscription. Details of the Shareholder Subscription are set out in the letter from the Board (the “**Letter of the Board**”) contained in this circular of the Company to the Shareholders dated 28 September 2022 (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 otherwise requires.

Reference is made to (i) the announcements (the “**JV Announcements**”) of the Company dated 20 August 2021 and 28 October 2021 in relation to, among others, the formation of a joint venture with BOE; (ii) the announcement (the “**Restructuring Announcement**”) of the Company dated 12 August 2022 in relation to the acquisition of the remaining 40% equity interest in the joint venture from BOE; (iii) the announcement (the “**Announcement**”) of the Company dated 1 September 2022 in relation to the Placing and the Shareholder Subscription; and (iv) the announcement of the Company dated 9 September 2022 in relation to the closing of the Placing.

On 1 September 2022 (after trading hours), (i) the Company and Credit Suisse (Hong Kong) Limited (the “**Placing Agent**”) entered into the Placing Agreement, pursuant to which the Company has agreed to allot and issue and the Placing Agent has agreed, as placing agent of the Company, to procure on a best effort basis not less than six subscribers (who and whose

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

ultimate beneficial owners would be third parties independent of, and not connected with the Company and its connected persons) to subscribe for 33,300,000 new Shares allotted and issued pursuant to the Placing Agreement (the “**Placing Shares**” and each a “**Placing Share**”) at the placing price of HK\$15.20 per Placing Share (the “**Placing Price**”), for a total gross cash consideration of HK\$506,160,000; and (ii) the Company and BOE(HK) entered into the Shareholder Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue and BOE(HK) has conditionally agreed to subscribe for 19,730,000 Subscription Shares at the Subscription Price of HK\$15.20 per Subscription Share, for a total gross cash consideration of HK\$299,896,000. Each of the Placing and the Shareholder Subscription forms part and parcel of the fund raising plan of the Company to support the Group’s setting up of new TFT and touch panel display module manufacturing facilities in Chengdu of the PRC (known as the Project) which is expected to commence production in late 2022 or early 2023 and to strengthen the Group’s working capital. In order to minimise the impact on Share price fluctuation caused by the possible market reaction to the Placing and the Shareholder Subscription and avoid any unfair treatment to the placees and/or the subscriber, the Company entered into the Placing Agreement and the Shareholder Subscription Agreement on the same date. In addition to the Placing and the Shareholder Subscription, the Board proposed to increase the authorised share capital of the Company from HK\$200,000,000 divided into 800,000,000 Shares to HK\$1,250,000,000 divided into 5,000,000,000 Shares by the creation of an additional 4,200,000,000 new Shares in order for the Company to accommodate the future expansion and growth of the Group. Closing of the Placing took place on 9 September 2022 in accordance with the terms and conditions of the Placing Agreement, where an aggregate of 33,300,000 Shares were successfully placed to no less than six independent placees. As at the Latest Practicable Date, Share options granted under the Share option scheme of the Company carrying rights to subscribe for an aggregate 2,450,000 Shares remain outstanding.

BOE(HK) is the controlling shareholder and therefore a substantial shareholder of the Company holding approximately 54.30% of the issued share capital of the Company as at the date of the Shareholder Subscription Agreement, and hence is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Shareholder Subscription Agreement constitute a connected transaction of the Company and is subject to the reporting, announcement, circular and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. The Subscription Shares will be allotted and issued under the Specific Mandate to be proposed for approval by the Independent Shareholders by way of an ordinary resolution at the SGM.

As at the Latest Practicable Date, Mr. Gao Wenbao (“**Mr. Gao**”), an executive Director, held 1,860,700 A shares of BOE, Mr. Su Ning (“**Mr. Su**”), an executive Director, held 150,000 A shares of BOE, Mr. Shao Xibin (“**Mr. Shao**”), a non-executive Director, held 787,600 A shares of BOE, Mr. Jin Hao (“**Mr. Jin**”), a non-executive Director, held 628,800 A shares of BOE, and Mr. Zhang Jianqiang (“**Mr. Zhang**”), a non-executive Director, held 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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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. In view of the above, Mr. Gao, Mr. Su, Mr. Shao, Mr. Jin and Mr. Zhang might be considered as having interests in the Shareholder Subscription Agreement and the Shareholder Subscription, 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 Shareholder Subscription Agreement and the transactions contemplated thereunder shall abstain from voting on the relevant resolutions at the SGM. BOE(HK), being the controlling shareholder of the Company, having material interest in the Shareholder Subscription Agreement and the transactions contemplated thereunder, is required to abstain from voting at the SGM. As at the Latest Practicable Date, BOE held 400,000,000 Shares, representing approximately 51.96% of the total issued share capital of the Company. Mr. Su, an executive Director interested in 660,000 Shares, representing approximately 0.09% of the total issued share capital of the Company as at the Latest Practicable Date, held 150,000 A shares of BOE as at the Latest Practicable Date. Mr. Su might be considered as having interest in the Shareholder Subscription Agreement and the transactions contemplated thereunder and will abstain from voting on the relevant resolution at the SGM. Save as disclosed above, 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.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Fung, Yuk Kan Peter, Mr. Chu, Howard Ho Hwa and Mr. Hou Ziqiang, has been established to advise the Independent Shareholders on the Shareholder Subscription Agreement and the transaction contemplated thereunder, in particular, whether the terms of the Shareholder Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and whether the Shareholder Subscription is in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote in respect of the relevant resolution to be proposed at the SGM.

OUR APPOINTMENT AND INDEPENDENCE

We, Optima Capital, have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Shareholder Subscription Agreement and the transactions contemplated thereunder. Our appointment has been approved by the Independent Board Committee.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, we did not have any relationship with, or interest in, the Group, BOE or any other parties that could reasonably be regarded as relevant to our independence. During the two years immediately prior to the date of our 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 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.

BASIS OF OUR OPINION

In formulating our advice and recommendation, we have reviewed, among other things, (i) the JV Announcements; (ii) the Restructuring Announcement; (iii) the Announcement; (iv) the Circular; (v) the annual reports of the Company for the three years ended 31 December 2019, 2020 and 2021; (vi) the interim results announcement of the Company for the six months ended 30 June 2022 (the “**2022 Interim Results Announcement**”); and (vii) other information obtained from the public domain. 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. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection with and for their consideration of the Shareholder Subscription as a connected transaction, 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 purposes without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Shareholder Subscription, we have taken into account the following principal factors and reasons:

1. Information of the Group

The Company 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.

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 and modules for the specific needs of its customers. With over 25 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 25 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.

2. Financial information of the Group

Set out below is the financial results of the Group for each of the three financial years ended 31 December 2019 (“FY2019”), 2020 (“FY2020”) and 2021 (“FY2021”) and the six months ended 30 June 2021 (“HY2021”) and 30 June 2022 (“HY2022”).

	For the six months ended 30 June		For the year ended 31 December		
	2022 HK\$'000 (unaudited)	2021 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue	4,830,849	3,200,005	7,737,943	4,526,914	3,573,978
Profit from operations	275,028	95,569	350,084	70,443	29,440
Profit before taxation	274,366	94,862	348,679	68,015	28,350
Profit for the period/year attributable to the Shareholders	250,876	95,105	327,798	68,639	25,020
Net profit margin (%)	5.2%	3.0%	4.2%	1.5%	0.7%

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The Group recorded revenue of approximately HK\$3,574.0 million, HK\$4,526.9 million and HK\$7,737.9 million for FY2019, FY2020 and FY2021, respectively, representing an increase of approximately 26.7% from FY2019 to FY2020 and an increase of approximately 70.9% from FY2020 to FY2021. Such increase was mainly derived from the increase in revenue from the automotive display business by approximately 33% from FY2019 to FY2020 and approximately 89% from FY2020 to FY2021, primarily due to the growing market demand together with scheduled commencement of mass production of TFT and touch panel display modules projects. The automotive display business represented approximately 72%, 76% and 84% of the Group's overall revenue for FY2019, FY2020 and FY2021, respectively, where the industrial display business represented approximately 28%, 24% and 16% of the Group's overall revenue for FY2019, FY2020 and FY2021.

The customer base of the Group has been expanding and covers major Tier-1 manufacturers which covers major car brands for both conventional and new energy vehicle manufacturers. The product coverage rate of TFT related display products for both top 20 conventional car manufacturers and new energy vehicle manufacturers has exceeded 30% in the PRC.

Revenue of the Group also increased for approximately 51.0% for HY2022 as compared to HY2021. Such increase was mainly driven by (i) the increase in sales of TFT and touch panel display modules in all geographical regions especially in the PRC; (ii) the commencement of mass production of TFT and touch panel display modules projects; and (iii) increase in market demand and average selling price in the automotive market in the PRC.

The Group recorded profits attributable to shareholders of approximately HK\$25.0 million, HK\$68.6 million and HK\$327.8 million for FY2019, FY2020 and FY2021, respectively.

The net profit margin had been doubled from 0.7% in FY2019 to 1.5% in FY2020 which was mainly contributed by (i) the increase in turnover; (ii) the decrease in operating expenses as a result of cost-optimizing and efficiency management actions implemented by the Group; and (iii) the gradual commencement of mass production of the new products from automotive customers in the PRC, Korea and Japan. For FY2021, net profit margin of 4.2% had been noted which was mainly due to (i) the increase in revenue; (ii) the exceptional growth in the PRC market with the booming development in new energy vehicle; and (iii) the continuous achievement of economies of scales. For HY2022, the net profit margin has continued to improve to 5.2% mainly due to (i) the continuous achievement of economies of scales through the increase in sales; and (ii) constant efficiency management measures on staff costs and other operating expenses.

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Set out below is the summary of the Group's financial position as at 31 December 2021 and 30 June 2022:

	As at 30 June 2022	As at 31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Non-current assets	939,097	689,978
Current assets	5,475,167	4,853,186
Total assets	6,414,264	5,543,164
Current liabilities	3,034,900	2,168,053
Non-current liabilities	23,652	29,486
Total liabilities	3,058,552	2,197,539
Net assets	3,355,712	3,345,625

The total assets of the Group amounted to approximately HK\$6,414 million and approximately HK\$5,543 million as at 30 June 2022 and 31 December 2021, respectively. The major components of the total assets of the Group as at 30 June 2022 were (i) cash and cash equivalents; (ii) trade and other receivables, deposits and prepayments and other contract costs; (iii) inventories; and (iv) property, plant and equipment, representing 35.3%, 30.1%, 19.9% and 12.0% of the total assets of the Group, respectively.

The total liabilities of the Group amounted to approximately HK\$3,059 million and HK\$2,198 million as at 30 June 2022 and 31 December 2021, respectively. As at 30 June 2022, the bank borrowing was approximately HK\$46.8 million which is repayable within one year, and there was no bank borrowings as at 31 December 2021. The Group mainly sources its funding from its operation and committed to maintain the bank borrowings at an appropriate level. The major components of the total liabilities of the Group as at 30 June 2022 were trade and other payables, representing 93.0% of the total liabilities of the Group.

The unaudited consolidated net asset value attributable to the Shareholders as at 30 June 2022 is approximately HK\$4.16 per Share. For more details, please refer to section headed "12. Comparison of the Subscription Price against historical Share prices" in this letter.

3. Business prospects of the Group

For the year ended 31 December 2021, the Group recorded revenue and profit attributable to the Shareholders of approximately HK\$7,738 million and HK\$328 million, representing year-on-year growth of approximately 71% and 378%, respectively. The Group's revenue from the automotive display business increased by approximately 89% compared to FY2020 and contributed approximately 84% of the Group's revenue in 2021. The increase in the Group's revenue in FY2021 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. According to the 2022 Interim Results Announcement, the

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Group has strong cash position and has cash and cash equivalents of approximately HK\$2,263 million as at 30 June 2022. The profit attributable to the Shareholders for the six-month period ended 30 June 2022 recorded a significant increase of approximately 163.8% from HK\$95.1 million to HK\$250.9 million. The significant increase was mainly due to (i) the continuous achievement of economies of scales through the increase in sales; and (ii) constant efficiency management measures on staff costs and other operating expenses.

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 approximately US\$16.98 billion in 2028. The Group has maintained strong relationships with its strategic partners, including major automobile manufacturers and new energy vehicle manufacturers and has been engaged by major automobile manufacturers for mass production projects.

Looking forward, the Management 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.

4. Information of the BOE(HK)

BOE(HK), a wholly-owned subsidiary of BOE, is the controlling shareholder of the Company holding approximately 51.96% of the Share as at the Latest Practicable Date. 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 well-known and 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, automotive displays and digital information displays.

As stated in the annual report of BOE for FY2021, BOE recorded consolidated revenue and the profit attributable to the Shareholders of approximately RMB219.3 billion and RMB25.8 billion respectively for FY2021 and consolidated net assets attributable to the Shareholders of approximately RMB142.9 billion as at 31 December 2021. As at the Latest Practicable Date, the market capitalisation of BOE amounted to approximately RMB130 billion.

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

5. The Placing

Set out below are the principal terms of the Placing Agreement:

Date

1 September 2022

Parties

- (i) the Company (as the issuer); and
- (ii) the Placing Agent.

Placing Shares

33,300,000 new Shares, representing (i) approximately 4.52% of the issued Shares as at the date of the Announcement; (ii) approximately 4.33% of the issued Shares as enlarged by the allotment and issue of the Placing Shares only; and (iii) approximately 4.22% of the issued Shares as enlarged by the allotment and issue of the Placing Shares and the Subscription Shares (assuming no other change in the issued Shares from the Latest Practicable Date to the closing date of the Shareholder Subscription).

The aggregate nominal value of the Placing Shares will be HK\$8,325,000.

Placing Price

The Placing Price is HK\$15.20 per Placing Share which is same as the Subscription Price. The Placing Price is exclusive of brokerage, trading fees, transaction fees and levies.

The Placing Price was determined after arm's length negotiations between the Company and the Placing Agent with reference to (i) the prevailing market price of the Shares; (ii) the recent market condition; and (iii) the net asset value of the Group as at 30 June 2022.

For the analysis of the Placing Price against historical Share prices, please refer to the section headed "12. Comparison of the Subscription Price against historical Share prices" of this letter below.

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Ranking of the Placing Shares

The Placing Shares will be sold free from all pledges, liens, charges and encumbrances, equities, security interests or other claims on the terms, and shall, when allotted, issued and fully paid, rank pari passu in all respects among themselves and with the Shares in issue upon completion of the Placing.

Lock-up

The Company has undertaken to the Placing Agent that for a period beginning on the date of the Placing Agreement and ending on the date which is 90 days after the closing date of the Placing, the Company shall not, without the prior written consent of the Placing Agent (i) effect or arrange or procure placement of, allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe for, or enter into any transaction which is designed to, or might reasonably be expected to, result in any of the aforesaid (whether by actual disposition or effective economic disposition due to cash settlement or otherwise), directly or indirectly, any equity securities of the Company or any securities convertible into, or exercisable, or exchangeable for, equity securities of the Company, or (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of the Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of the Shares or such other securities, in cash or otherwise, or (iii) publicly announce an intention to effect any such transaction. The foregoing shall not apply to the issue of (i) the Option Shares, (ii) the Subscription Shares, (iii) any new Shares as may be allotted and issued under the share award plan adopted by the Company on 28 August 2020; and (iv) the Placing Shares.

6. The Shareholder Subscription

Set out below are the principal terms of the Shareholder Subscription Agreement:

Date

1 September 2022

Parties

- (i) the Company (as the issuer); and
- (ii) BOE(HK) (as the subscriber).

Subscription Shares

19,730,000 new Shares to be issued to BOE(HK), representing (i) approximately 2.68% of the issued Shares as at the date of the Announcement; (ii) approximately 2.56% of the existing issued Shares as at the Latest Practicable Date; and (iii) approximately 2.50% of the issued Shares as enlarged by the allotment and issue of the Subscription Shares (assuming no other change in the issued Shares from the Latest Practicable Date to the closing date of the Shareholder Subscription).

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The aggregate nominal value of the Subscription Shares will be HK\$4,932,500.

The size of the Shareholder Subscription was arrived at after arm's length negotiations between the Company and BOE(HK) with reference to (i) the financial position and funding needs of the Group; and (ii) the recent market condition.

Subscription Price

The Subscription Price is HK\$15.20 per Subscription Share which is same as the Placing Price.

The Subscription Price was determined after arm's length negotiations between the Company and BOE(HK) with reference to (i) the prevailing market price of the Shares; (ii) the recent market condition; and (iii) the net asset value of the Group as at 30 June 2022. The Subscription Price is equal to the Placing Price.

The total Subscription Price shall be payable by BOE(HK) in cash on the closing date of the Shareholder Subscription in accordance with the Shareholder Subscription Agreement.

For the analysis of the Subscription Price against historical Share prices, please refer to the section headed "12. Comparison of the Subscription Price against historical Share prices" of this letter below.

Ranking of the Subscription Shares

The Subscription Shares, when allotted, issued and fully paid, will rank pari passu in all respects among themselves and with the Shares in issue on the closing date of the Shareholder Subscription.

Conditions precedent of the Shareholder Subscription Agreement

The Shareholder Subscription Agreement is conditional upon the following conditions being satisfied:

- (i) the Independent Shareholders having passed resolutions at the SGM to approve the Shareholder Subscription Agreement and the transactions contemplated thereunder, and the Specific Mandate;
- (ii) the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Subscription Shares, and such approval not having been revoked or withdrawn (including unconditional approval or conditional approval subjecting to the general conditions proposed by the Stock Exchange); and
- (iii) BOE(HK) having obtained all necessary consents, approvals and/or the filings for the Shareholder Subscription Agreement and the Shareholder Subscription from its internal governing bodies and relevant regulatory authorities.

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To the knowledge of the Company, insofar as the condition precedent (iii) as set out above is concerned, BOE(HK) requires the consents, the approvals and/or filings from its board of directors in respect of the Shareholder Subscription Agreement, and the approvals from the Beijing Municipal Commerce Bureau, Beijing Municipal Commission of Development and Reform and the Beijing Municipal of Foreign Exchange for the transfer of funds to BOE(HK) from its shareholder for the settlement of the consideration for the Shareholder Subscription. As at the Latest Practicable Date, BOE(HK) has obtained the requisite approval from its board of directors in relation to the Shareholder Subscription Agreement. Save as disclosed above, none of the conditions precedent under the Shareholder Subscription Agreement have been satisfied. None of the conditions precedent under the Shareholder Subscription Agreement is waivable, unless the parties otherwise agree in writing in respect of the condition precedent (iii).

For the avoidance of doubt, the Placing and the Shareholder Subscription are not inter-conditional with each other. The closing of the Shareholder Subscription is subject to the satisfaction of the conditions precedent in the Shareholder Subscription Agreement as disclosed in this circular.

Closing and termination of the Shareholder Subscription

Closing of the Shareholder Subscription shall take place on the third (3rd) Business Day after the day on which the last condition precedent as set out in the Shareholder Subscription Agreement is fulfilled (the “**Date of Fulfilment**”) (or such other date as the Company and BOE(HK) may agree in writing) (the “**Shareholder Subscription Closing Date**”).

If any of the conditions precedent as set out in the Shareholder Subscription Agreement is not fulfilled prior to the Long Stop Date, the Shareholder Subscription Agreement shall cease to be of any effect, save for some clauses that customarily survive termination as stipulated in the Shareholder Subscription Agreement such as confidentiality, notice, costs, severability, governing law and third party rights, and claims arising out of any breaches prior to the termination of the Shareholder Subscription Agreement.

If either BOE(HK) or the Company fails to fulfil all closing obligations on the Shareholder Subscription Closing Date, the other party to the Shareholder Subscription Agreement shall have no obligation to fulfil its closing obligations and may, without prejudice to any other right or remedy available to it, elect to (i) postpone the Shareholder Subscription Closing Date for up to 28 calendar days; (ii) waive (without affecting the rights of the non-breaching party under the Shareholder Subscription Agreement) the obligations of the breaching party and proceed with the closing to the extent practicable; or (iii) terminate the Shareholder Subscription Agreement without any liability save that the termination does not affect any rights or remedies accrued prior to the termination of the Shareholder Subscription Agreement.

The Company does not intend to agree to extend (i) the Long Stop Date beyond 30 November 2022 unless any such approval as referred to in the sub-section headed “Conditions precedent of the Shareholder Subscription Agreement” in the Letter from the Board is not ready by that date in light of any event or circumstance beyond the control of the management of the Company or BOE(HK) (as the case may be) or (ii) the Shareholder Subscription Closing Date to any date later than the third (3rd) Business Day after the Date of Fulfilment barring any unforeseen circumstance beyond the control of the Company or BOE(HK).

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Taking into account (i) the Company has no intention to extend the Long Stop Date beyond 30 November 2022; (ii) the Company has no intention to extend the Shareholder Subscription Closing Date to any date later than the third Business Day after the Date of Fulfilment barring any unforeseen circumstance beyond the control of the Company or BOE(HK); (iii) the Shareholder Subscription Closing Date could be postponed for up to 28 days which is not a lengthy period; and (iv) such postponement could provide flexibility in the event there are any unforeseen circumstance which is beyond the control of the Company or BOE(HK) and will cast significant impact on the closing of the Shareholder Subscription, we are of the view that such clause is reasonable.

Specific mandate

The Shareholder Subscription is subject to the Independent Shareholders' approval. The Subscription Shares will be allotted and issued under the Specific Mandate to be proposed for approval by the Independent Shareholders by way of an ordinary resolution at the SGM.

7. Reasons for and benefits of the Shareholder Subscription

BOE(HK) has become the controlling shareholder of the Company since 2016. Since then, the Group has become the sole platform of automotive display module and system business within the BOE Group. The Group's revenue increased from HK\$2,247.5 million in 2016 to HK\$7,737.9 million in 2021, representing a compound annual growth rate of 28.05%. As stated in the section headed "4. Information of the BOE(HK)", BOE is one of the market leaders in the displays market and a major supplier of TFT displays in the global market.

As disclosed in the Letter from the Board, the Shareholder Subscription demonstrates the confidence of BOE in the Company's long-term business development and prospects, and enlarges the Company's equity base to support the healthy and sustainable development of the Company. Apart from the Shareholder Subscription, BOE Group will continue to supply TFT panels and provide technical support to the Group so as to enable the Group's business to expand rapidly under keen competition. The Group will continue to be the sole platform of automotive display module and system business within the BOE Group. We concurred with the Management that the Shareholder Subscription is being undertaken to strengthen the financial position of the Group and provide working capital to the Group to develop its TFT and touch panel display module manufacturing business. Shareholders' equity base of the Company will be further enlarged to support the healthy and sustainable development of the Company.

We understand from the Management that the Group's sole TFT and touch panel display production line in Heyuan, the PRC, has been highly utilised. In order to cope with the positive outlook of TFT and touch panel display business, the Management believes the Project is beneficial to the Group by expanding the Group's 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 investment amount of the Project is RMB2,500 million (the "**Total Investment Amount**"), in which (i) approximately 2% shall be used for the acquisition of land with an area of approximately 151,000 square meters; (ii) approximately 28% shall be allocated for construction of the plant,

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including module assembly and optical bonding lines with an annual production capacity of approximately 15 million automotive display devices; (iii) about one-third of the amount shall be used as the working capital for daily operations of the Project; and (iv) the remaining amount shall be mainly used for purchases of various equipment. It is expected that the Project will commence production in late 2022 or early 2023. We have obtained from the Management the latest operating summary of the Group which indicated manufacturing facilities are highly utilised and a planned budget (the “**Budget**”) on the estimated Total Investment Amount of the Project.

We noted from the 2022 Interim Results Announcement that the Group has cash and cash equivalents of approximately HK\$2,263 million as at 30 June 2022 and we have also enquired the Management if the Group could instead use its internal resources for funding the Project. In addition to the remaining funding needs for the Project of approximately RMB2,068.3 million (the “**Remaining Investment Amount**”) (i.e. Total Investment Amount of RMB2,500 million less the Invested Amount (as defined below) of approximately RMB431.7 million) and the general working capital requirement, the Management advised that the Group shall also reserve extra cash and cash equivalents for the possible capital expenditure and business opportunities of the Group in view of the positive outlook of TFT and touch panel display business as discussed under the section headed “3. Business prospects of the Group” above. We also noted that the revenue of the Group has increased from approximately HK\$2,247.5 million in 2016 to approximately HK\$7,737.9 million in 2021, representing a compound annual growth rate of 28.05%. The Management also advised that it is the Group’s policy to ensure that it maintains sufficient reserves of cash and cash equivalents and adequate committed lines of funding from major financial institutions to meet its optimal liquidity requirements from time to time in the short and longer term. As such, the Company conducted the Placing and the Shareholder Subscription to raise the requisite funds to satisfy the Remaining Investment Amount, and the Group’s working capital and general corporate use.

We also noted from the Budget, the estimated capital expenditures and working capital for the Project for the period between 1 September 2022 and 31 December 2022 and for the year ending 31 December 2023 were approximately RMB772.9 million and approximately RMB1,295.3 million, respectively. Having considered (i) the cash and fixed deposits balance of the Group of approximately HK\$2,263 million as at 30 June 2022; (ii) the increasing capital requirements of the Group in the view of the positive outlook of TFT and touch panel display business as discussed under the section headed “3. Business prospects of the Group” above; (iii) the Remaining Investment Amount; (iv) the analysis of use other alternative methods of financing as mentioned in the section “9. Other alternative methods of financing” below; (v) the Shareholder Subscription together with the Placing is being undertaken to further enlarge the Shareholders’ equity base of the Company, optimize the capital structure of the Company and support the healthy and sustainable development of the Company; and (vi) the Shareholder Subscription would maintain and reinforce the Group’s strategic corporation relationships with BOE and demonstrate the confidence of BOE in the Company’s long-term business development and prospects, we are of the view that the Shareholder Subscription is in the interests of the Company and its Shareholders as a whole.

8. Use of proceeds of the Shareholder Subscription

The gross proceeds from the Shareholder Subscription will be approximately HK\$299.90 million. After deducting all fees, costs and expenses incurred by the Company in connection with the Shareholder Subscription, net proceeds from the Shareholder Subscription is expected to be approximately HK\$299.0 million represented approximately HK\$15.15 per Subscription Share.

As stated in the 2022 Interim Results Announcement, the Group will continue to grasp the upcoming trend of the automotive industry and to pursuing to become a leading integrated automotive smart cockpit display system solution provider. In view of the positive outlook of the automotive display business, the Group has established its TFT and touch panel display module manufacturing facilities in Chengdu (known as the Project) to capture upcoming business opportunities and further expand its market share upon its expected completion in late 2022 or early 2023.

As at 31 August 2022, approximately RMB431.7 million (the “**Invested Amount**”) had been applied for the Project, in which (i) approximately RMB40.7 million was applied for the acquisition of land; (ii) approximately RMB340.8 million was applied for the plant construction; (iii) approximately RMB3.2 million was applied for the working capital of daily operations; and (iv) approximately RMB47.0 million was applied for the purchases of various equipment. We understand from the Management that the Remaining Investment Amount shall be satisfied by (i) the net proceeds from the Placing of HK\$499.8 million (equivalent to approximately RMB439.8 million) which completed on 9 September 2022; (ii) net proceeds from the Shareholder Subscription of HK\$299.0 million (equivalent to approximately RMB263.1 million); and (iii) approximately RMB1,365.4 million by internal resources and/or external funding, including but not limited to debt financing. As at the Latest Practicable Date, the Company has not utilised any of the net proceeds from the Placing.

We have obtained from the Management the planned usage on the net proceeds from the Placing and the Shareholder Subscription and noted the Management have clearly identified and allocated the relevant usage to (i) approximately 18.0% shall be used for the plant construction; (ii) approximately 30.6% shall be used for working capital of daily operations, such as for the purchase of raw material and consumables, payment for utilities and staff remuneration; and (iii) approximately 51.4% shall be used for purchases of various equipment. The Company expects to utilise the net proceeds from the Placing and the Shareholder Subscription in 2022 and 2023.

Having considered the net proceeds from the Placing and the Shareholder Subscription will be applied for the Project which will enhance the Group’s manufacturing capacities as discussed in the section headed “7. Reasons for and benefits of the Shareholder Subscription” above, we are of the view that the Shareholder Subscription is in the interest of the Company and the Shareholders as a whole.

9. Other alternative methods of financing

As disclosed in the Letter from the Board, the Company has considered other forms of equity financing (such as a rights issue or an open offer). Other forms of equity financing generally would (i) incur a higher amount of additional costs, including but not limited to, underwriting commission, documentation and other professional fees; and (ii) take a longer period of time for completion and expose to higher degree of uncertainties when compared to Placing and the Shareholder Subscription taking into account the longer time required for preparation of documentation and approval as compared to that of the Placing and the Shareholder Subscription, especially amid recent volatile market conditions. In relation to debt financing, the growth of further borrowings, if outpacing the Group's growth in income stream, would create additional interest burden. Accordingly, the Company has entered into the Placing Agreement with the Placing Agent and the Shareholder Subscription Agreement with the BOE(HK) respectively to provide the Group with further capital for the development of the Project. In the future, the Company may consider to obtain different means of financing, including but not limited to, debt financing to further develop its of TFT and touch panel display module manufacturing business if required, and at the same time maintaining a healthy debt level of the Group.

Taking into account (i) the analysis of use other alternative methods of financing as mentioned above; (ii) the reasons and benefits for the Shareholder Subscription as discussed in the section "7. Reasons for and benefits of the Shareholder Subscription" above; (iii) the proposed use of the proceeds from the Shareholder Subscription in the section "8. Use of proceeds of the Shareholder Subscription" above; and (iv) our analysis on the potential dilution impact on the shareholding interest of the public Shareholder as mentioned in the section "11. Potential dilution effects of the Shareholder Subscription" below, we are of the view that the Share Subscription is commercially sensible and we concur with the Management that conducting the Shareholder Subscription is more appropriate than raising fund through open offer/right issue or debt financing.

10. Financial effects of the Placing and the Shareholder Subscription

As set out in the 2022 Interim Results Announcement, as at 30 June 2022, the net assets attributable to the Shareholders was approximately HK\$3,061.4 million. Upon closing of the Shareholder Subscription, it is expected that the net assets attributable to the Shareholders will be increased by the estimated net proceeds from the Placing of approximately HK\$499.8 million and the Shareholder Subscription of approximately HK\$299.0 million respectively.

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The table below sets out, for illustration purpose, the effects of the Placing and the Shareholder Subscription on the Group's net asset value per Share attributable to the Shareholders:

Net assets attributable to the Shareholders as at 30 June 2022	HK\$3,061.4 million
Number of Shares in issue as at 30 June 2022	736,565,204
Add: Number of Shares issued in July and August 2022 under the Share Option Scheme	30,000
Add: Number of Shares issued for the Placing	<u>33,300,000</u>
Total	769,895,204
Net assets per Share attributable to the Shareholders immediately after completion of the Placing only	HK\$4.63
Increase in net assets per Share attributable to the Shareholders after completion of the Placing only	11.3%
Add: Number of Shares to be issued for the Shareholder Subscription	<u>19,730,000</u>
Total	789,625,204
Net assets per Share attributable to the Shareholders immediately after completion/closing of the Placing and the Shareholder Subscription	HK\$4.89
Increase in net assets per Share attributable to the Shareholders after completion/closing of the Placing and the Shareholder Subscription	17.5%

As set out in the 2022 Interim Results Announcement, as at 30 June 2022, the current ratio of the Group, which was derived by the total current assets divided by the total current liabilities of the Group, was approximately 1.8. Following the completion of the Placing on 9 September 2022 and upon the closing of the Shareholder Subscription, it is expected that the total current assets of the Group will be increased by the estimate net proceeds from the Placing and the Shareholder Subscription while the total current liabilities of the Group shall remain at same level. Assuming there is no change to the financial position of the Group other than the Placing and the Shareholder Subscription, the current ratio of the Group would increase to approximately 2.1.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position or results of the Group will be upon closing of the Shareholder Subscription. Based on the above analysis, the Shareholder Subscription would have positive impact on the Group's net asset value attributable to the Shareholders, and the current ratio. On such basis, we are of the view that the Shareholder Subscription is in the interests of the Company and the Shareholders as a whole.

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11. Potential dilution effects of the Shareholder Subscription

As at the Latest Practicable Date, the Company had 769,895,204 Shares in issue. Set out below is a table illustrating the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon the allotment and issue of the Subscription Shares (assuming no other change of the number of the issued Shares from the Latest Practicable Date to the closing date of the Shareholder Subscription).

Shareholders	As at the Latest Practicable Date		Immediately upon the allotment and issue of the Subscription Shares	
	No. of Shares	Approx. (%)	No. of Shares	Approx. (%)
<i>Substantial and controlling shareholder</i>				
BOE(HK)	400,000,000	51.96	419,730,000	53.16
<i>Directors</i>				
Ko Wing Yan, Samantha	657,000	0.09	657,000	0.08
Su Ning	660,000	0.09	660,000	0.08
Fung, Yuk Kan Peter	82,000	0.01	82,000	0.01
Chu, Howard Ho Hwa	82,000	0.01	82,000	0.01
Hou Ziqiang	61,000	0.01	61,000	0.01
Sub-total of substantial shareholder and Directors	401,542,000	52.16	421,272,000	53.35
Public				
Placees	33,300,000	4.33	33,300,000	4.22
Public Shareholders	335,053,204	43.52	335,053,204	42.43
Total	769,895,204	100.00	789,625,204	100.00

Note: The aggregate of the percentage figures in the table above may not add up to the relevant sub-total or total percentage figures shown due to rounding of the percentage figures to two decimal places. Percentages may not add up to 100% due to rounding.

With reference to the shareholding table above, the shareholding interests held by the existing public Shareholders would be diluted by 1.19 percentage points as a result of the Shareholder Subscription (assuming there being no other changes to the issued share capital of the Company between the Latest Practicable Date to the date of closing of the Shareholder Subscription). In this regard, taking into account (i) the reasons for and benefits of the Shareholder Subscription; and (ii) the terms of the Shareholder Subscription being fair and reasonable, we are of the view that the said level of dilution to the shareholding interests of the existing public Shareholders as a result of the Shareholder Subscription (being immaterial) is acceptable.

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12. Comparison of the Subscription Price against historical Share prices

The Subscription Price is HK\$15.20 per Subscription Share, which is same as the Placing Price and:

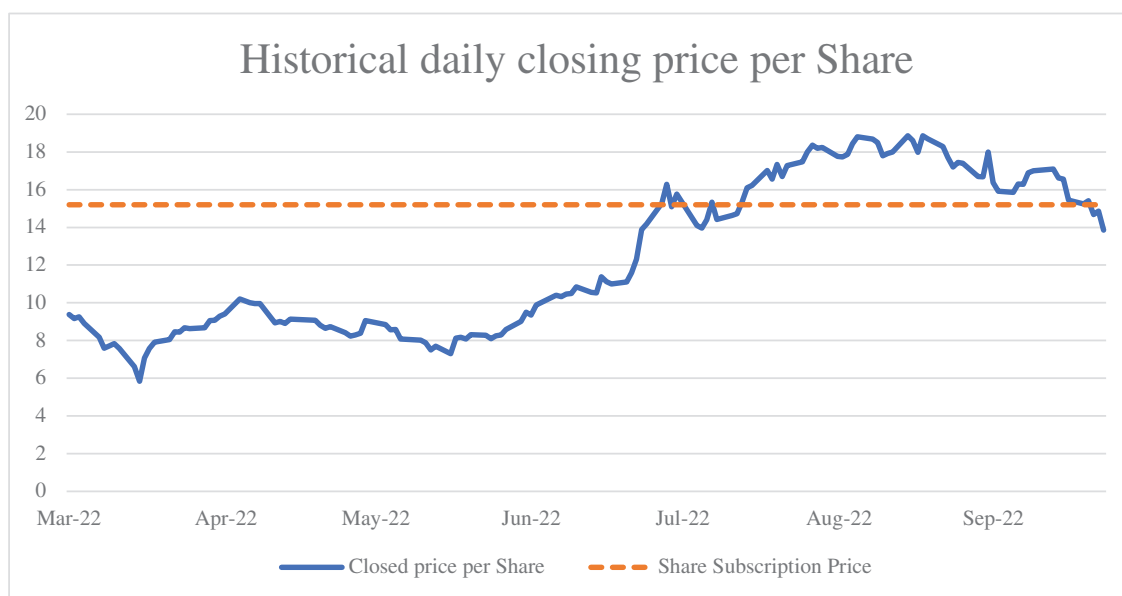
- (a) represents a discount of approximately 7.2% to the closing price of HK\$16.38 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) represents a discount of approximately 10.8% to the average closing price of HK\$17.03 per Share as quoted on the Stock Exchange in the last five (5) consecutive trading days up to and including the Last Trading Day;
- (c) represents a discount of approximately 12.9% to the average closing price of HK\$17.45 per Share as quoted on the Stock Exchange in the last ten (10) consecutive trading days up to and including the Last Trading Day;
- (d) represents a discount of approximately 15.2% to the average closing price of HK\$17.93 per Share as quoted on the Stock Exchange in the last thirty (30) consecutive trading days up to and including the Last Trading Day;
- (e) represents a premium of approximately 12.7% over the average closing price of HK\$13.49 per Share as quoted on the Stock Exchange in the last ninety (90) consecutive trading days up to and including the Last Trading Day;
- (f) represents a premium of approximately 33.6% over the average closing price of HK\$11.37 per Share as quoted on the Stock Exchange in the last one hundred and eighty (180) consecutive trading days up to and including the Last Trading Day;
- (g) represents a premium of approximately 9.7% over the closing price of HK\$13.86 per Share as quoted on the Stock Exchange on the Latest Practicable Date (i.e. 23 September 2022);
- (h) represents a premium of approximately 270.7% over the audited consolidated net asset value attributable to the Shareholders of approximately HK\$4.1 per Share as at 31 December 2021 calculated based on the audited consolidated net asset value attributable to the Shareholders of approximately HK\$3,032.4 million as at 31 December 2021 and 736,155,204 Shares in issue as at 31 December 2021;
- (i) represents a premium of approximately 265.4% over the unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$4.16 per Share as at 30 June 2022 (being the unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$3,061.4 million divided by 736,565,204 Shares outstanding as at 30 June 2022); and

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- (j) represents a premium of approximately 228.3% over the adjusted unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$4.63 per Share as at 30 June 2022 (“**Adjusted NAV per Share**”) (being the unaudited consolidated net asset value attributable to the Shareholders plus the net proceeds from the Placing of approximately HK\$499.8 million divided by 769,865,204 Shares outstanding as at 30 June 2022 including the allotment and issue of 33,300,000 Placing Shares).

Historical price trend of the Shares

The chart below depicts the closing price of the Shares traded on the Stock Exchange from 1 March 2022, being the date falling six-months preceding the date of the Announcement, up to and including the Last Trading Day (the “**Review Period**”) and from 2 September 2022 (being the first trading day after the publication of the Announcement) up to the Latest Practicable Date. We consider the Review Period is appropriate for our analysis of the historical Share price performance as it covers a sufficiently long period reflecting the financial results announced by the Company from time to time as well as smoothing out the distortions which may have been caused by short term volatility in the overall stock market.



Source: The website of the Stock Exchange

During the Review Period, the lowest closing price and the highest closing price of the Shares were HK\$5.84 on 15 March 2022 and HK\$18.86 on 15 August 2022 and 18 August 2022 respectively, with an average closing price of the Shares of approximately HK\$12.09. The closing price of the Shares was HK\$13.86 as at the Latest Practicable Date. The Share Subscription Price of HK\$15.20 per Share represents (i) a discount of approximately 7.2% to the closing price on the Last Trading Date; (ii) a premium of approximately 160.3% over the lowest closing price; (iii) a premium of approximately 25.7% over the average closing price during the Review Period; and (iv) a premium of approximately 9.7% over the closing price of the Shares as at the Latest Practicable Date. There are 85 out of the 126 trading days during the Review Period that the closing prices of the Shares are below the Share Subscription Price of HK\$15.20.

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As shown in the chart above, there was a slight downward trend in the closing price of the Shares in early March 2022, but the closing price of the Shares rebounded and remained relatively stable at approximately HK\$8.5 in April 2022 and May 2022. Since June 2022, there has been an upward trend in the closing price of the Shares. We note that on 11 July 2022, the Company published its profit alert announcement stating that its profit attributable to the Shareholders was expected to record a significant increase in a range of 140% to 180%. Subsequently, the closing price of the Shares continued to increase. On 12 August 2022, the Company announced the acquisition of the remaining 40% equity interest in the joint venture from BOE. Further, as stated in the 2022 Interim Results Announcement, the profit attributable to the Shareholders for the six months ended 30 June 2022 increased by 164% as compared with the same period in 2021. The closing price of the Shares reached the highest closing price during the Review Period of HK\$18.86 on 15 August 2022 and 18 August 2022. The closing price of the Shares dropped gradually and closed at HK\$16.38 and HK\$13.86 as at the Last Trading Day and the Latest Practicable Date respectively. Save as disclosed above, as advised by the Management, they were not aware of any reason for the aforesaid fluctuations in the closing price of the Shares recently.

Although the Subscription Price represents a discount to the closing price on the Last Trading Day, based on the above analysis and taking into account (i) the Subscription Price represents a premium of approximately 9.7% over the closing price of the Shares as at the Latest Practicable Date; (ii) the Subscription Price represents a premium of approximately 25.7% over the average closing price during the Review Period; (iii) there are 85 out of the 126 trading days during the Review Period that the closing prices of the Shares are below the Share Subscription Price of HK\$15.20; (iv) the Subscription Price represents a premium of approximately 12.7% and 33.6% over the average closing price of the Shares as quoted on the Stock Exchange in the last ninety (90) and the last one hundred and eighty (180) consecutive trading days up to and including the Last Trading Day respectively; and (v) the recent volatile market conditions, we are of the view that the Share Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

Liquidity of the Shares

The following table sets out the trading volume of the Shares during the period between the date falling one year preceding the date of the Announcement up to and including the Latest Practicable Date:

	Number of trading days in the relevant month/period	Total trading volume for the month/period ^(Note 1)	Average daily trading volume for the month/period ^(Note 2)	Percentage of average daily trading volume to the total issued Shares ^(Note 3)	Percentage of average daily trading volume to the total number of Shares held by public Shareholders ^(Note 4)
2021					
August	22	89,607,800	4,073,082	0.55%	1.11%
September	21	129,709,430	6,176,640	0.84%	1.68%

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	Number of trading days in the relevant month/period	Total trading volume for the month/period ^(Note 1)	Average daily trading volume for the month/period ^(Note 2)	Percentage of average daily trading volume to the total issued Shares ^(Note 3)	Percentage of average daily trading volume to the total number of Shares held by public Shareholders ^(Note 4)
October	18	50,418,046	2,801,003	0.38%	0.76%
November	22	75,672,104	3,439,641	0.47%	0.93%
December	22	53,382,947	2,426,498	0.33%	0.66%
2022					
January	21	125,019,582	5,953,313	0.81%	1.62%
February	17	33,030,063	1,942,945	0.26%	0.53%
March	23	59,888,961	2,603,868	0.35%	0.71%
April	18	35,810,701	1,989,483	0.27%	0.54%
May	20	28,134,513	1,406,726	0.19%	0.38%
June	21	94,849,858	4,516,660	0.61%	1.23%
July	20	68,945,261	3,447,263	0.47%	0.94%
August	23	77,751,068	3,380,481	0.46%	0.92%
1 September 2022 (Last Trading Day)	1	4,797,000	4,797,000	0.65%	1.30%
From the first trading day following the Announcement to the Latest Practicable Date	15	56,387,548	3,759,170	0.49%	1.02%
Average				0.48%	0.95%

Source: The website of the Stock Exchange

Notes:

- Total trading volume is expressed in terms of number of Shares traded.
- Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period excluding any trading days on which trading of the Shares on the Stock Exchange was suspended for the whole trading day.
- The calculation is based on the average daily trading volumes of the Shares divided by the total issued share capital of the Company at the end of each month/period or as at the Latest Practicable Date, as applicable.
- The total number of Shares held by the public is based on the number of Shares held by public shareholders of 368,353,204 Shares as at the Latest Practicable Date.

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As illustrated in the above table, the average daily trading volume ranged from 1,406,726 Shares to 6,176,640 Shares, representing approximately 0.19% to 0.84% of the total number of Shares in issue as at the end of the respective month/period, and approximately 0.38% to 1.68% of the total number of Shares held by public Shareholders as at the end of the respective month/period.

In light of the above and the liquidity of the Shares during the one-year period preceding the date of the Announcement was relatively thin during the Review Period, determining the Subscription Price at a discount to the closing price of the Shares as at the Last Trading Day is considered acceptable.

Subscription Comparables

As part of our analysis, we also identified transactions in relation to subscription of new shares under general mandate and specific mandate for cash which were announced by listed companies in Hong Kong from 1 June 2022 up to 23 September 2022, being an approximate four-months period up to and including the Latest Practicable Date, excluding (i) subscription of A shares, (ii) companies that were under long suspension for over six months prior to the date of the subscription agreement and (iii) issuance of shares to selected directors and employees as incentives (the “**Subscription Comparables**”). To the best of our knowledge and as far as we are aware of, we have identified 31 transactions which met the said criteria on an exhaustive basis. We are of the view that the basis of the review period to be approximate four-months up to the Latest Practicable Date is fair and reasonable, as the Subscription Comparables have covered the most recent transactions which could reflect the recent market practice in relation to subscriptions of new shares exercises under the recent market conditions and sentiment, and the sample size identified under such basis is sufficient to provide meaningful analysis. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the subject companies of the Subscription Comparables and thus the Subscription Comparables are only used to demonstrate for the recent market practice of Hong Kong listed companies in subscription of new shares under general and specific mandate.

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Specific/ general mandate	Company name (Stock code)	Principal business	Date of Announcement	Premium/ (discount) of the subscription price over/(to) average closing price per share for the last five trading days up to and including the Last Trading Day (%)	Premium/ (discount) of the subscription price over/(to) average closing price per share for the last ten trading days up to and including the Last Trading Day (%)	Premium/ (discount) of the subscription price over/(to) average closing price per share for the last 30 trading day up to and including the Last Trading Day (%)	Premium/ (discount) of the subscription price over/(to) average closing price per share for the last 60 trading days up to and including the Last Trading Day (%)	Premium/ (discount) of the subscription price over/(to) average closing price per share for the last 90 trading day up to and including the Last Trading Day (%)	Premium/ (discount) of the subscription price over/(to) average closing price per share for the last 180 trading days up to and including the Last Trading Day (%)
General	Risecomm Group Holdings Limited (1679.HK)	The company designs, develops, and sales power-line communication products.	21-Sep-22	-10.0%	-6.2%	-5.7%	-9.0%	-12.4%	-7.6%
General	IRC Limited (1029.HK)	The company is a mineral exploration and production company.	14-Sep-22	-20.0%	-18.1%	-27.5%	-35.3%	-41.7%	-47.8%
Specific	Link-Asia International MedTech Group Limited (1143.HK)	The Company offers value chain and reshape value-added services in various business areas.	13-Sep-22	78.4%	79.1%	84.9%	81.3%	80.9%	51.9%
General	Wealthking Investments Limited (1140.HK)	The company invests in real estate industry, individual private property, stock industry, and other related industries.	5-Sep-22	8.7%	3.3%	5.0%	5.0%	-0.9%	-15.1%
Specific	Cornerstone Technologies Holdings Limited (839.LHK)	The company provides electric vehicle charging solutions.	2-Sep-22	5.1%	-0.6%	-9.8%	-14.6%	-20.5%	-22.6%
General and specific	Suoxinda Holdings Limited (3680.HK)	The company offers big data and AI solutions for banks and financial institutions.	1-Sep-22	-19.6%	-8.7%	-7.9%	-21.4%	-35.0%	-73.8%

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Specific/ general mandate	Company name (Stock code)	Principal business	Date of Announcement	Premium/ (discount) of the subscription price over/(to) average closing price per share for the last five trading days up to and including the Last Trading Day (%)	Premium/ (discount) of the subscription price over/(to) average closing price per share for the last ten trading days up to and including the Last Trading Day (%)	Premium/ (discount) of the subscription price over/(to) average closing price per share for the last 30 trading day up to and including the Last Trading Day (%)	Premium/ (discount) of the subscription price over/(to) average closing price per share for the last 60 trading days up to and including the Last Trading Day (%)	Premium/ (discount) of the subscription price over/(to) average closing price per share for the last 90 trading day up to and including the Last Trading Day (%)	Premium/ (discount) of the subscription price over/(to) average closing price per share for the last 180 trading days up to and including the Last Trading Day (%)
General	China Fortune Financial Group Limited (290.HK)	The group's principal activities include the provision of brokerage services for securities, futures and insurance, margin financing, etc.	1-Sep-22	8.8%	3.3%	9.9%	22.7%	32.3%	41.9%
General	CIFI Holdings (Group) Co. Ltd (884.HK)	The company operates as a real estate developer.	31-Aug-22	-12.3%	-19.7%	-6.0%	-25.1%	-30.2%	-45.9%
General	Kintor Pharmaceutical Ltd (9939.HK)	The company develops and markets drugs.	31-Aug-22	-13.6%	-20.0%	-9.7%	-19.9%	-26.7%	-26.2%
Specific	Standard Development Group Limited (1867.HK)	The company provides interior designing services.	23-Aug-22	-14.8%	-16.1%	-19.2%	-18.1%	-19.4%	-22.6%
General	Polyard Petroleum International Group Limited (8011.HK)	The company mainly engages in the exploration, development and production of oil and gas and provision of professional technical services.	19-Aug-22	-7.7%	-11.9%	-7.6%	-8.6%	-7.6%	1.5%
General	SEEC Media Group Limited (205.HK)	The company provides advertising agency services.	15-Aug-22	-13.0%	-18.9%	37.8%	56.3%	50.3%	9.9%
Specific	HG Semiconductor Limited (6908.HK)	The company manufactures semiconductor products.	5-Aug-22	-16.4%	-16.2%	-19.6%	-26.6%	-24.9%	-42.3%
Specific	Morris Home Holdings Limited (1575.HK)	The company operates as a furniture manufacturer.	5-Aug-22	-59.4%	-50.1%	-37.5%	-37.2%	-40.8%	-55.0%

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Specific/ general mandate	Company name (Stock code)	Principal business	Date of Announcement	Premium/ (discount) of the subscription price over/(to) average closing price per share for the last five trading days up to and including the Last Trading Day (%)	Premium/ (discount) of the subscription price over/(to) average closing price per share for the last ten trading days up to and including the Last Trading Day (%)	Premium/ (discount) of the subscription price over/(to) average closing price per share for the last 30 trading days up to and including the Last Trading Day (%)	Premium/ (discount) of the subscription price over/(to) average closing price per share for the last 60 trading days up to and including the Last Trading Day (%)	Premium/ (discount) of the subscription price over/(to) average closing price per share for the last 90 trading days up to and including the Last Trading Day (%)	Premium/ (discount) of the subscription price over/(to) average closing price per share for the last 180 trading days up to and including the Last Trading Day (%)
General	Fullshare Holdings Limited (607.HK)	The company offers healthcare services and integrated green technology.	29-Jul-22	-4.3%	-7.3%	-3.9%	-2.5%	-8.0%	-6.5%
Specific	Hypebeast Limited (150.HK)	The company operates as a digital media and e-commerce company.	28-Jul-22	26.6%	27.0%	22.3%	20.7%	21.5%	13.8%
General	Global Sweeteners Holdings Limited (3889.HK)	The company produces com sweeteners.	24-Jul-22	28.2%	26.9%	24.0%	22.7%	20.9%	15.9%
General	Ximei Resources Holding Limited (9936.HK)	The company engages in manufacturing and sales of tantalum- and niobium-based metallurgical products.	22-Jul-22	-12.1%	-11.9%	-17.2%	-12.3%	-13.5%	-16.7%
General	Suoxinda Holdings Limited (3680.HK)	The company offers big data and AI solutions for banks and financial institutions.	15-Jul-22	-16.2%	-19.3%	-19.8%	-4.3%	-61.8%	-75.6%
General	ZZ Technology Group Company Limited (8295.HK)	The company provides information technology outsourcing, data center service.	15-Jul-22	45.5%	48.1%	56.6%	53.9%	41.4%	-8.2%
Specific	China Ruyi Holdings Limited (136.HK)	The company offers Internet media services.	14-Jul-22	-2.0%	-7.8%	-9.3%	3.0%	6.5%	-0.2%
General	China Foradoo Holdings Limited (2399.HK)	The company designs, manufactures, and sells menswear.	13-Jul-22	-11.3%	-7.1%	-2.4%	-1.1%	-2.8%	-4.8%

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Specific/ general mandate	Company name (Stock code)	Principal business	Date of Announcement	Premium/ (discount) of the subscription price over/(to) average closing price per share for the last five trading days up to and including the Last Trading Day (%)	Premium/ (discount) of the subscription price over/(to) average closing price per share for the last ten trading days up to and including the Last Trading Day (%)	Premium/ (discount) of the subscription price over/(to) average closing price per share for the last 30 trading days up to and including the Last Trading Day (%)	Premium/ (discount) of the subscription price over/(to) average closing price per share for the last 60 trading days up to and including the Last Trading Day (%)	Premium/ (discount) of the subscription price over/(to) average closing price per share for the last 90 trading days up to and including the Last Trading Day (%)	Premium/ (discount) of the subscription price over/(to) average closing price per share for the last 180 trading days up to and including the Last Trading Day (%)
General	Wenye Group Holdings Limited (1802.HK)	The company focuses on architectural services.	11-Jul-22	-11.1%	-27.6%	-29.3%	-33.6%	-33.8%	-34.4%
General	Moody Technology Holdings Limited (1400.HK)	The company manufactures textile products.	5-Jul-22	-3.8%	-5.9%	-4.5%	11.5%	22.8%	-3.4%
General	Cornerstone Technologies Holdings Limited (8391.HK)	The company provides electric vehicle charging solutions.	27-Jun-22	-17.3%	-21.3%	-27.3%	-30.6%	-27.8%	-25.9%
General	Wealthking Investments Limited (1140.HK)	The company invests in real estate industry, individual private property, stock industry, and other related industries.	27-Jun-22	6.4%	3.0%	-7.3%	-10.2%	-14.8%	-24.0%
General	China State Construction Development Holdings Limited (830.HK)	The company operates as an exterior engineering contractor and solutions provider.	20-Jun-22	1.9%	1.8%	-3.5%	-1.5%	2.0%	15.1%
General	Merdeka Financial Group Limited (8163.HK)	The company operates financial, information technologies, consumer products trading, and other businesses.	19-Jun-22	-9.1%	-0.8%	9.5%	27.7%	26.4%	22.9%
General	China Carbon Neutral Development Group Limited (1372.HK)	The company provides renewable energy solutions.	10-Jun-22	1.6%	-4.6%	-10.0%	-13.3%	-17.9%	-23.7%

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Specific/ general mandate	Company name (Stock code)	Principal business	Date of Announcement	Premium/ (discount) of the closing price per share on Last Trading Day (%)	Premium/ (discount) of the subscription price over/(to) average closing price per share for the last five trading days up to and including the Last Trading Day (%)	Premium/ (discount) of the subscription price over/(to) average closing price per share for the last ten trading days up to and including the Last Trading Day (%)	Premium/ (discount) of the subscription price over/(to) average closing price per share for the last 30 trading day up to and including the Last Trading Day (%)	Premium/ (discount) of the subscription price over/(to) average closing price per share for the last 60 trading days up to and including the Last Trading Day (%)	Premium/ (discount) of the subscription price over/(to) average closing price per share for the last 90 trading day up to and including the Last Trading Day (%)	Premium/ (discount) of the subscription price over/(to) average closing price per share for the last 180 trading days up to and including the Last Trading Day (%)
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General	China Ocean Group Development Limited (8047.HK)	The company provides supply chain management, logistics and information flow.	10-Jun-22	-11.5%	-15.7%	-20.8%	-33.1%	-41.0%	-42.9%	-18.5%
General	Christine International Holdings Limited (1210.HK)	The company bakes and sells breads and cakes.	8-Jun-22	0.0%	-3.8%	-4.8%	-9.6%	-26.8%	-37.8%	-44.7%
			Average	-2.4%	-3.9%	-3.6%	-2.5%	-4.0%	-7.0%	-15.2%
			Minimum	-59.4%	-50.1%	-41.9%	-37.5%	-41.3%	-61.8%	-75.6%
			Maximum	78.4%	79.1%	78.2%	84.9%	81.3%	80.9%	51.9%
			Median	-9.1%	-7.8%	-5.9%	-7.6%	-10.2%	-13.5%	-16.7%
		The Company		-7.2%	-10.8%	-12.9%	-15.2%	-4.6%	12.7%	33.6%

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We noted from the above table that the subscription prices of the Subscription Comparables ranged from (i) a discount of approximately 59.4% to a premium of approximately 78.4% to/over the respective closing prices of their shares on the last trading day in relation to the respective subscription of new shares under general and specific mandate; (ii) a discount of approximately 50.1% to a premium of approximately 79.1% to/over the respective average closing prices of their shares for the last five trading days up to and including the last trading day in relation to the respective subscription of new shares under general and specific mandate; (iii) a discount of approximately 41.9% to a premium of approximately 78.2% to/over the respective average closing prices of their shares for the last ten trading days up to and including the last trading day in relation to the respective subscription of new shares under general and specific mandate; (iv) a discount of approximately 37.5% to a premium of approximately 84.9% to/over the respective average closing prices of their shares for the last 30 trading days up to and including the last trading day in relation to the respective subscription of new shares under general and specific mandate; (v) a discount of approximately 41.3% to a premium of approximately 81.3% to/over the respective average closing prices of their shares for the last 60 trading days up to and including the last trading day in relation to the respective subscription of new shares under general and specific mandate; (vi) a discount of approximately 61.8% to a premium of approximately 80.9% to/over the respective average closing prices of their shares for the last 90 trading days up to and including the last trading day in relation to the respective subscription of new shares under general and specific mandate; and (vii) a discount of approximately 75.6% to a premium of approximately 51.9% to/over the respective average closing prices of their shares for the last 180 trading days up to and including the last trading day in relation to the respective subscription of new shares under general and specific mandate (collectively, the “Discount/Premium Market Ranges”).

We note that the Discount/Premium Market Ranges are wide which might be due to specific circumstances facing each of the Subscription Comparables. Despite such wide ranges, the Subscription Price is within the Discount/Premium Market Ranges.

The recent funding raising activities particularly in Hong Kong were adversely impacted by prevailing weak market sentiment which was mainly due to (i) the prolong global COVID-19 pandemic and its adverse impact on business activities as a result of travel restrictions and quarantine measures in Hong Kong; (ii) high market volatility due to the deteriorating economic conditions in the globe and in Hong Kong; and (iii) the uncertainty arising from the significant increase in geopolitical tensions with the war between Russia and Ukraine since late February 2022. Based on the above, we are of the view that determining the Shareholder Subscription Price, which is within the Discount/Premium Market Ranges, at a discount is acceptable in the current business environment and market condition.

Although the above analysis relating to Subscription Comparables may not be useful as a direct reference to the fairness and reasonableness of the terms of the Shareholder Subscription Agreement due to the wide ranges of discount/premium of the Subscription Comparables, we are of the view that the selection criteria is fair and reasonable, given that (i) the Subscription Comparables are considered for the purpose of taking a general reference for the recent market practice in relation to subscriptions of new shares exercises under the recent

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market conditions and sentiment, and (ii) the Subscription Comparables were objectively selected with new shares subscriptions during the period under review and the sample size is sufficient, which in our opinion, represent a comprehensive assessment of the recent market trends for similar transactions conducted by other issuers listed on the Stock Exchange. As such, we consider it is fair and reasonable to compare the respective discount/premium between each of the Subscription Comparables and that of the Shareholder Subscription as part of our assessment of the principal terms of the Shareholder Subscription Agreement. It should be noted that, in forming our opinion, we have considered the results of the above analysis together with all other factors stated in this letter as a whole.

CONCLUSION AND RECOMMENDATION

Having considered the principal factors and reasons as discussed above, in particular,

- (i) the Subscription Price is same as the Placing Price and the other terms of the Shareholder Subscription are not more favourable to those of the Placing;
- (ii) having considered the prevailing weak market sentiment, determining the Subscription Price, which falls within the range of the closing prices per Share during the Review Period as well as the ranges of the Discount/Premium Market Ranges of the Subscription Comparables, at a discount is acceptable;
- (iii) the Subscription Price represents a premium of approximately 270.7% over the audited consolidated net asset attributable to the Shareholders per Share as at 31 December 2021;
- (iv) the Subscription Price represents a premium of approximately 265.4% and 228.3% over the unaudited consolidated net asset attributable to the Shareholders as at 30 June 2022 and the Adjusted NAV per Share respectively;
- (v) the Shareholder Subscription together with the Placing is commercially sensible taking into account the alternative equity fund raising measures considered by the Company and our view of the debt financing as mentioned in the paragraph headed “9. Other alternative methods of financing”;
- (vi) the proposed use of proceeds of the Shareholder Subscription is justifiable and is in line with the Group’s business strategy and growth and expansion plan, in particular, the genuine and timely funding need to meet the funding requirement of the Project;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(vii) considering the background of BOE(HK) (as the subscriber), a wholly-owned subsidiary of BOE, who is a leading supplier of TFT display in the global markets, although we are not in a position to assess if there will be any potential synergy effect to the Group's future operation, the Shareholder Subscription will maintain and reinforce the Group's strategic corporation relationships with BOE; and

(viii) the level of dilution to the shareholding interests of the existing public Shareholders is acceptable,

we are of the view that (i) although the entering into of the Shareholder Subscription Agreement is not conducted in the ordinary and usual course of business of the Group, the terms of the Shareholder Subscription Agreement (including the Subscription Price) and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Shareholder Subscription is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Shareholder Subscription.

For the purpose of this letter, the exchange rate of HK\$1.00 = RMB0.88 have been used for currency translation, where applicable. Such an exchange rate is for illustrative purposes and does not constitute representations that any amount in HK\$ or RMB has been, could have been or may be converted at such a rate.

Yours faithfully,
for and on behalf of
OPTIMA CAPITAL LIMITED
Ng Ka Po
Managing Director
Corporate Finance

Mr. Ng is a responsible officer of Optima Capital and a licensed person registered with the SFC to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. Mr. Ng has participated in the provision of independent financial advisory services for various transactions involving companies listed on the Stock Exchange.

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, save as disclosed below, none of the Directors and chief executives of the Company and their associates had any interests and shorts positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) 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); (ii) as recorded in the register required to be kept under section 352 of the SFO or; (iii) 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:

(a) Interests in shares of the Company

Name of Director	Capacity	Number of Shares held as at the Latest Practicable Date	Approximate percentage of the total issued share capital of the Company
Ko Wing Yan, Samantha	Personal Interest	657,000	0.09%
Su Ning	Personal Interest	660,000	0.09%
Fung, Yuk Kan Peter	Personal Interest	82,000	0.01%
Chu, Howard Ho Hwa	Personal Interest	82,000	0.01%
Hou Ziqiang	Personal Interest	61,000	0.01%

Note:

- The above interests represented long positions.

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

Name of Director	Date of grant	Number of Shares underlying the 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:

1. Exercisable period:
 - (i) the first 40% of the share options are exercisable from 1 February 2020 to 31 January 2023;
 - (ii) the second 30% of the share options are exercisable from 1 February 2021 to 31 January 2023; and
 - (iii) the remaining 30% of the share options are exercisable from 1 February 2022 to 31 January 2023.
2. 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 as at the Latest Practicable Date	Number of unvested awarded shares as at the Latest Practicable Date	Vesting date
Ko Wing Yan, Samantha	29 March 2021	500,000	150,000	(Note 1)
	15 June 2022	150,000	90,000	(Note 2)
Su Ning	29 March 2021	500,000	150,000	(Note 1)
	15 June 2022	150,000	90,000	(Note 2)
Fung, Yuk Kan Peter	29 March 2021	100,000	30,000	(Note 1)
	15 June 2022	30,000	18,000	(Note 2)
Chu, Howard Ho Hwa	29 March 2021	100,000	30,000	(Note 1)
	15 June 2022	30,000	18,000	(Note 2)
Hou Ziqiang	29 March 2021	49,000	30,000	(Note 1)
	15 June 2022	30,000	18,000	(Note 2)

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 were vested on 28 April 2022; and
 - (iii) the remaining 30% of the awarded shares shall be vested on 28 April 2023.
2. Vesting date:
 - (i) the first 40% of the awarded shares were vested on 26 August 2022;
 - (ii) the second 30% of the awarded shares shall be vested on 28 August 2023; and
 - (iii) the remaining 30% of the awarded shares shall be vested on 26 August 2024.
3. The above interests represented long positions.

(c) Interests in shares of BOE (an associated corporation) (Note 1)

Name of Director	Capacity	Number of A shares and underlying A shares in BOE held as at the Latest Practicable Date	Approximate percentage of the total issued share capital of BOE
Gao Wenbao	Personal Interest	1,860,700 <i>(Note 2)</i>	0.0048%
Su Ning	Personal Interest	150,000	0.0004%
Shao Xibin	Personal Interest	787,600 <i>(Note 3)</i>	0.0021%
Jin Hao	Personal Interest	628,800 <i>(Note 4)</i>	0.0016%
Zhang Jianqiang	Personal Interest	641,500 <i>(Note 5)</i>	0.0017%

Notes:

1. As at the Latest Practicable Date, BOE held 400,000,000 shares, representing 51.96% of the issued share capital of the Company.
2. On 21 December 2020, BOE granted 1,500,000 shares to Mr. Gao under the 2020 share option and restricted share incentive scheme.
3. On 21 December 2020, BOE granted 634,000 shares to Mr. Shao under the 2020 share option and restricted share incentive scheme.
4. On 21 December 2020, BOE granted 575,000 shares to Mr. Jin under the 2020 share option and restricted share incentive scheme.

5. On 21 December 2020, BOE granted 588,700 shares to Mr. Zhang under the 2020 share option and restricted share incentive scheme.
6. The above interests represented long positions.

As at the Latest Practicable Date, BOE(HK) is the controlling shareholder and therefore a substantial shareholder of the Company holding approximately 51.96% of the issued share capital of the Company. BOE is an associate of BOE(HK) and is thus a connected person of the Company under the Listing Rules. As at the Latest Practicable Date, Mr. Gao is a director and 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.

3. DIRECTORS' INTERESTS IN ASSETS OR CONTRACTS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which have been since 31 December 2021, being the date to which the latest published audited consolidated 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 was materially interested in any contract or arrangement entered into by any member of the Group 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 confirmed that there was no material adverse change in the financial or trading position of the Company since 31 December 2021, being the date to which the latest published audited consolidated 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. QUALIFICATION OF EXPERT AND ITS 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:

Name	Qualification
Optima Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on 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 Shareholder Subscription

As at the Latest Practicable Date, Optima 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, and/or its advice in the form and context in which they respectively appear.

As at the Latest Practicable Date, Optima Capital Limited did not have (a) any shareholding, directly or indirectly, in any member of the Group nor did they have any 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 interest, direct or indirect, 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 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up.

8. 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 Shareholder Subscription Agreement;
- (b) the letter of consent referred to in the section headed “7. Qualification of Expert and its Consent” in this Appendix; and
- (c) this circular.

9. GENERAL

This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail over its Chinese text.

NOTICE OF SGM



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 Friday, 14 October 2022 at 10 a.m. for the following purposes:

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the terms of the Shareholder Subscription Agreement (as defined in the circular of the Company dated 28 September 2022 (the “**Circular**”) of which this notice forms part) (a copy of which is tabled at the meeting and marked “A” for identification purposes) dated 1 September 2022 entered into by the Company and BOE(HK) (as defined in the Circular) and the transactions contemplated thereunder be and are hereby approved in all respects;
- (b) conditional upon, among other things, the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Subscription Shares (as defined in the Circular), the directors of the Company be and are hereby granted a specific mandate to exercise all the powers of the Company to allot and issue the Subscription Shares, subject to and in accordance with the terms and conditions set out in the Shareholder Subscription Agreement. This specific mandate so granted is in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the directors by the shareholders of the Company at, before or after the passing of this resolution; and
- (c) 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, appropriate, expedient or desirable in connection with or incidental to any of the matters to give effect to the transactions contemplated under the Shareholder Subscription Agreement.”

NOTICE OF SGM

2. “**THAT**

- (a) the authorised share capital of the Company be and is hereby increased from HK\$200,000,000 divided into 800,000,000 Shares (as defined in the Circular) of HK\$0.25 each to HK\$1,250,000,000 divided into 5,000,000,000 Shares by the creation of an additional 4,200,000,000 Shares, and that each such new Share, upon issue and fully paid, shall rank pari passu in all respects with the existing issued Shares; 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, appropriate, expedient or desirable in connection with or incidental to any of the matters to give effect to the Increase in Authorised Share Capital (as defined in the Circular).”

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

Hong Kong, 28 September 2022

NOTICE OF SGM

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 Wednesday, 12 October 2022 to Friday, 14 October 2022 (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 Tuesday, 11 October 2022.
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. Shareholders of the Company (“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.
7. Although Shareholders are welcome to attend the SGM physically in person if they so wish, the Company strongly encourages Shareholders to attend the SGM via Computershare e-Meeting System in view of the current development of COVID-19. Computershare e-Meeting System 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.
8. 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, and safe distancing measures for queue management and seating at the meeting venue.
9. For online voting at the SGM, Shareholders can refer to our enclosed letter 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 6:00 p.m. (Monday to Friday, excluding Hong Kong public holidays).
10. Your proxy’s authority and instruction will be revoked if you attend and vote in person at the SGM or via Computershare e-Meeting System.

NOTICE OF SGM

11. 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.

12. 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 10 October 2022 for arrangement.