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# BOE

**BOE VARITRONIX LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 710)**

## **CONNECTED TRANSACTION FORMATION OF THE JOINT VENTURE**

**Financial Adviser to the Company**



**SOMERLEY CAPITAL LIMITED**

### **THE SHAREHOLDERS' AGREEMENT**

The Board is pleased to announce that on 20 August 2021 (after trading hours), Link Score, Hefei BOE and BOE entered into the Shareholders' Agreement, pursuant to which the JV Partners will jointly establish the Joint Venture. The Joint Venture will be principally engaged in, among other things, manufacturing and sales of smart automotive display devices.

Pursuant to the Shareholders' Agreement, the registered capital of the Joint Venture is RMB150 million, of which Link Score, Hefei BOE and BOE agreed to make capital contribution in cash to the Joint Venture of RMB30 million, RMB60 million and RMB60 million respectively, representing 20%, 40% and 40% of the registered capital of the Joint Venture.

### **LISTING RULES IMPLICATIONS**

BOE is the controlling Shareholder of the Company holding approximately 54.35% of the issued Share capital of the Company as at the date of this announcement and therefore a connected person of the Company under the Listing Rules. Accordingly, the entering into of the Shareholders' Agreement constitutes a connected transaction of the Company.

As all applicable percentage ratios in respect of the transaction contemplated under the Shareholders' Agreement are more than 0.1% but less than 5%, the entering into of the Shareholders' Agreement is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## INTRODUCTION

The Board is pleased to announce that on 20 August 2021 (after trading hours), Link Score, Hefei BOE and BOE entered into the Shareholders' Agreement, pursuant to which the JV Partners will jointly establish the Joint Venture. The Joint Venture will be principally engaged in, among other things, manufacturing and sales of smart automotive display devices.

## PRINCIPAL TERMS OF THE SHAREHOLDERS' AGREEMENT

Date:	20 August 2021
Parties:	(1) Link Score, a wholly-owned subsidiary of the Company;  (2) Hefei BOE, a wholly-owned subsidiary of the Company; and  (3) BOE.
Effective date of the Shareholders' Agreement:	The Shareholders' Agreement will become effective upon signing.
Term of operation:	The term of operation of the Joint Venture is 20 years (subject to the approval of the State Administration for Industry and Commerce* (工商行政管理部門) or the State Administration for Market Regulation* (市場監督管理部門) of the PRC).
Scope of business:	The scope of business of the Joint Venture includes (but not limited to) sales of display products, manufacturing and sales of smart automotive display devices, imports and exports of products, imports, exports, services, development, consultation, exchange, transfer and promotion of technologies, leasing of non-residential real estate, provision of warehousing services, design and services of integrated circuit chips, sales of integrated circuits, and provision of domestic trade agency services (subject to the approval of the State Administration for Industry and Commerce* (工商行政管理部門) or the State Administration for Market Regulation* (市場監督管理部門) of the PRC).

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

Registered capital and capital contribution:

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

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

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

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

Sharing of profits, losses and risks:

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

Management of the  
Joint Venture:

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

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

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

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

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

Transfer of equity interest:

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

## **REASONS FOR AND BENEFITS OF THE JOINT VENTURE FORMATION**

The Group was established in 1978 and the Shares were listed on the Main Board of the Stock Exchange in 1991. The Group is principally engaged in the automotive and industrial display business and has monochrome display manufacturing capacity and TFT and touch panel display module assembly capacity. In 2020, the Group's revenue increased by approximately 27% and the profit attributable to Shareholders recorded a significant increase of approximately 170% comparing to the year of 2019. The TFT module business and touch panel display module business continued to achieve remarkable growth during 2020 and contributed over 75% of the Group's 2020 revenue in total, while the revenue from monochrome display business decreased during the year. According to the Company's positive profit alert announcement dated 13 July 2021, it is expected that the Group will record a significant increase in the profit attributable to the Shareholders for the six months ended 30 June 2021, which is mainly due to the increase in sales of TFT and touch panel display modules to customers in the PRC where the local economy has experienced a fast recovery from the impact of COVID-19 since the second half of 2020.

Looking forward to 2021, the management of the Company expects that the Group's market share of automotive display will further increase according to the sales order status and new projects awarded. The major growth area will be in the PRC where the local economy has experienced a fast recovery from the impact of COVID-19. The Group has established strategic cooperation with a number of major PRC automobile manufacturers as well as Tier-1 manufacturers in recent years and has been deepening its cooperation through active product and technology promotions. The Group has also been actively cooperating with PRC new energy vehicle manufacturers to increase its market share in this fast-growing market in coming years. In view of the positive outlook of the automotive display business, especially in the PRC, the Directors believe that the establishment of the Joint Venture is beneficial to the Group by expanding the Group's scale of operations in relation to smart automotive display devices (including but not

limited to TFT and touch panel display modules) to capture the upcoming business opportunities and expand the Group's market share in the growing automotive market. As part of the proposed automotive display manufacturing project in Chengdu, the Joint Venture is contemplating to acquire a piece of land in the PRC for further construction of production plant and facilities. Should any acquisition and/or further capital contributions take place in future, the Company will comply with the relevant requirements under the Listing Rules accordingly. If the Joint Venture is unable to proceed with the automotive display manufacturing project in Chengdu, the JV Partners agreed to de-register the Joint Venture (if necessary) without recourse.

BOE, the controlling Shareholder of the Company holding approximately 54.35% of the issued Share capital of the Company as at the date of this announcement, is one of the major suppliers of display panels in the global market. Shares of BOE are listed on the Shenzhen Stock Exchange (stock code 000725 for its A shares and stock code 200725 for its B shares). According to BOE's 2021 first quarterly report, the BOE Group had unaudited consolidated total assets and net assets attributable to shareholders of approximately RMB428 billion and RMB112 billion respectively as at 31 March 2021. For the year ended 31 December 2020, the BOE Group recorded audited consolidated revenue of approximately RMB136 billion and net profit attributable to shareholders of approximately RMB5 billion. The formation of the Joint Venture enables the Group to leverage on BOE's strong capital and automated module manufacturing capabilities.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Shareholders' Agreement are fair and reasonable, the formation of the Joint Venture under the Shareholders' Agreement is on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

As at the date of this announcement, Mr. Gao Wenbao ("**Mr. Gao**"), an executive Director, holds 1,860,700 A shares of BOE, Mr. Su Ning ("**Mr. Su**"), an executive Director, holds 150,000 A shares of BOE, Mr. Shao Xibin ("**Mr. Shao**"), a non-executive Director, holds 787,600 A shares of BOE, Mr. Jin Hao ("**Mr. Jin**"), a non-executive Director, holds 628,800 A shares of BOE, and Ms. Zhang Shujun ("**Ms. Zhang**"), a non-executive Director, holds 153,700 A shares of BOE. In addition, Mr. Gao is the executive director, a member of the executive committee and the executive vice president of BOE, and the chief executive officer of Display Business Group of BOE. Mr. Su is a general manager of the application business department of Beijing BOE Display Technology Co., Ltd. (a subsidiary of BOE). Mr. Su has concurrently served as a general manager of the automotive SBU of BOE and a vice president of BOE. Mr. Shao is the chief new product officer of Display Business Group of BOE. Mr. Jin is the head of the production and sales management centre of Display Business Group of BOE and Display Device of BOE. Ms. Zhang is a vice head of financial operation management of Display Business Group of BOE and a financial controller of Nanjing CEC Panda

FPD Technology Co., Ltd., a subsidiary of BOE. In view of the above, Mr. Gao, Mr. Su, Mr. Shao, Mr. Jin and Ms. Zhang might be considered having interests in the Shareholders' Agreement and thus have abstained from voting on the relevant Board resolutions.

## **INFORMATION ON THE PARTIES TO THE SHAREHOLDERS' AGREEMENT**

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

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

BOE is a supplier of semiconductor display technologies, products and services and its products are widely used in a broad spectrum of applications such as mobile phones, tablets, notebooks, monitors, TVs, vehicle displays and digital information displays. BOE is one of the major suppliers of TFT displays in the global market. BOE also has production lines for manufacturing TFT modules mainly for consumer products like phones, tablets, notebook computers, monitors, TVs, vehicle displays and digital information displays. The Group is the sole platform of automotive display module and system business within the BOE Group.

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## DEFINITIONS

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

“Board”	the board of Directors
“BOE”	BOE Technology Group Co., Ltd.
“BOE Group”	BOE and its subsidiaries
“Company”	BOE Varitronix Limited (stock code: 710), the Shares are listed on the Main Board of the Stock Exchange
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Joint Venture”	Chengdu BOE Automotive Electronic Limited* (成都京東方汽車電子有限公司) (subject to the approval of the State Administration for Industry and Commerce* (工商行政管理部門) or the State Administration for Market Regulation* (市場監督管理部門) of the PRC), a company to be established in the PRC with limited liability pursuant to the Shareholders’ Agreement
“JV Partner(s)”	the party(ies) to the Shareholders’ Agreement, namely Link Score, Hefei BOE and BOE
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Link Score”	Link Score Investment Limited* (年加投資有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Hefei BOE”	Hefei BOE Vehicle Display Technology Co., Ltd.* (合肥京東方車載顯示技術有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company



“PRC”	the People’s Republic of China (which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan)
“Share(s)”	the ordinary share(s) of HK\$0.25 each in the share capital of the Company
“Shareholders”	holders of the Share(s)
“Shareholders’ Agreement”	the agreement entered into among Link Score, Hefei BOE and BOE on 20 August 2021 in relation to the formation of the Joint Venture
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TFT”	thin film transistor
“%”	per cent

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

Hong Kong, 20 August 2021

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

\* *For identification purposes only*