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VARITRONIX

VARITRONIX INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 710)

CONTINUING CONNECTED TRANSACTIONS – MASTER PURCHASE AGREEMENT

On 22 April 2016, the Company entered into the Master Purchase Agreement with BOE Technology Group Co., Ltd., i.e. the Subscriber, to govern the purchase of TFT panels or other products including, but not limited to, raw materials for manufacturing TFT modules by the Group from the Subscriber Group effective upon Completion and up to 31 December 2016.

Upon Completion, the Subscriber (through BOE (HK)) will become the controlling shareholder of the Company holding approximately 54.70% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming there is no change in the issued share capital of the Company other than the issue of the Subscription Shares) and thus a connected person of the Company under the Listing Rules. The transactions contemplated under the Master Purchase Agreement therefore will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Based on the proposed cap amount of the transactions contemplated under the Master Purchase Agreement and the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules, the transactions contemplated under the Master Purchase Agreement are subject to the reporting, announcement and annual review requirements but are exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the announcement of Varitronix International Limited (the "Company") dated 16 February 2016 and the circular of the Company dated 22 March 2016 (the "Circular"). Capitalised terms used in this announcement shall have the same meanings as those defined in the Circular unless stated otherwise.

THE MASTER PURCHASE AGREEMENT

On 22 April 2016, the Company and BOE Technology Group Co., Ltd., i.e. the Subscriber, entered into the agreement (the "Master Purchase Agreement") to govern the purchase of TFT panels or other products including, but not limited to, raw materials for manufacturing TFT modules by the Group from the Subscriber Group effective upon Completion and up to 31 December 2016. Below are the major terms and conditions of the Master Purchase Agreement:

- Date : 22 April 2016 (after trading hours)
- Parties : The Company as purchaser
The Subscriber as supplier
- Subject : Purchases of TFT panels or other products
- Term : The Master Purchase Agreement will become effective and continue to be effective up to 31 December 2016 provided that the Subscriber and/or its subsidiaries holds at least 30% of the issued shares of the Company. (i.e. If the Subscriber and/or its subsidiaries holds less than 30% of the issued shares of the Company, the Master Purchase Agreement will be terminated.)
- Pricing policy : With regard to the standardized items, the Subscriber Group shall determine a selling price to the Group with reference to the discounted standard price list of the Subscriber Group. Such discounted price shall be the most favourable price offered to its strategic customers under the same terms and conditions. With regard to the customized items, the Subscriber Group shall offer to the Group a selling price which shall not be higher than the selling price offered to its customers under the same terms and conditions. Before the Subscriber Group sells such customized items to its customers, the Subscriber Group shall obtain written consent from the Group and the lowest selling price offered to its customers shall be agreed between the Group and the Subscriber Group.
- Payment : Payments of the transactions under the Master Purchase Agreement will be settled in arrears by cash transfer but shall be settled no later than 60 days after delivery.

The pricing policy for the transactions contemplated under the Master Purchase Agreement will be supervised and monitored by the chief operating officer of the Company to ensure that the relevant continuing connected transaction is conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its Shareholders as a whole. The relevant personnel from the purchasing department of the Group will conduct regular checks on a monthly basis to review and assess whether the transactions contemplated under the Master Purchase Agreement are conducted in accordance with the terms of its respective agreement. For each purchase, the purchasing department of the Group will solicit on a best effort basis at least two other independent suppliers for TFT panels or other products in similar quantities to determine if the price and terms offered by the Subscriber Group are fair and reasonable and comparable to those offered by those independent suppliers. The purchasing department of the Group will also regularly update the market price of the TFT panels or other products for the purpose of considering if the price charged by the Subscriber Group is fair and reasonable and in accordance with the pricing policy under the Master Purchase Agreement.

The independent non-executive Directors will review the transactions under the Master Purchase Agreement and the auditors of the Company will also conduct an annual review on the pricing terms and annual caps thereof. Accordingly, the Directors consider that the internal control system of the Group is effective to ensure that the transactions contemplated under the Master Purchase Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

HISTORICAL FIGURES

Set out below is the aggregate historical amount paid by the Group in respect of its purchase of TFT panels from the Subscriber Group for the three years ended 31 December 2013, 2014 and 2015:

	For the year ended 31 December		
	2013	2014	2015
	<i>HK\$ million</i> <i>(approximate)</i>	<i>HK\$ million</i> <i>(approximate)</i>	<i>HK\$ million</i> <i>(approximate)</i>
Purchase of TFT panels	<u>3.7</u>	<u>6.7</u>	<u>7.4</u>

PROPOSED CAP AMOUNT

The proposed cap amount for the purchase of TFT panels or other products including, but not limited to, raw materials for manufacturing TFT modules by the Group from the Subscriber Group under the Master Purchase Agreement for the period from the effective date of the Master Purchase Agreement and up to 31 December 2016 is HK\$90 million.

The proposed cap amount is determined based on, among other things, (i) the historical amount of the purchase of TFT panels by the Group from the Subscriber Group; and (ii) the anticipated increase in the scale and business operation of the Group upon Completion.

REASONS FOR AND BENEFITS OF THE MASTER PURCHASE AGREEMENT

As set out in the Circular, the Group has been purchasing TFT panels from the Subscriber Group from time to time. It is expected that the Group will continue to purchase TFT panels upon Completion. BOE Technology Group Co., Ltd., i.e. the Subscriber, through BOE (HK), will become the controlling shareholder of the Company and thus a connected person of the Company. Considering that the Group has been purchasing TFT panels from the Subscriber Group and that, following Completion, the Company intends to continue its existing principal business and leverage on the manufacturing resources of the Subscriber Group to quickly expand its existing automobile TFT module manufacturing business segment in view of the market trends and opportunities, the Company entered into the Master Purchase Agreement with the Subscriber to govern the purchase of TFT panels or other products including, but not limited to, raw materials by the Group from the Subscriber Group for the manufacturing of its LCDs and related products, in particular TFT modules immediately upon Completion.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Master Purchase Agreement and the proposed cap amount are fair and reasonable and the transactions contemplated under the Master Purchase Agreement are on normal commercial terms, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE COMPANY AND THE SUBSCRIBER

The Group was established in 1978 and established its factories in the PRC since 1983. The Shares were listed on the Main Board of the Stock Exchange in 1991. The Group is principally engaged in the design, manufacture and sale of small-to-medium sized automotive and other industrial display products worldwide and has monochrome display and various display modules manufacturing 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 LCDs and modules for the specific needs of its customers.

The Group is headquartered in Hong Kong with its principal production base located in Heyuan, Guangdong, the PRC. The Group has overseas sales offices throughout Asia, North America and Europe. It has established a quality control system, global marketing channels and customer network.

According to the Subscriber, (i) it was founded in April 1993 and the issued shares of which are listed on the Shenzhen Stock Exchange; (ii) it is a supplier of semiconductor display technologies, products and services; and (iii) 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.

LISTING RULES IMPLICATIONS

Upon Completion, the Subscriber (through BOE (HK)) will become the controlling shareholder of the Company holding approximately 54.70% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming there is no change in the issued share capital of the Company other than the issue of the Subscription Shares) and thus a connected person of the Company under the Listing Rules. The transactions contemplated under the Master Purchase Agreement therefore will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. None of the Directors has a material interest in the Master Purchase Agreement.

Based on the proposed cap amount of the transactions contemplated under the Master Purchase Agreement and the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules, the transactions contemplated under the Master Purchase Agreement are subject to the reporting, announcement and annual review requirements but are exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

By Order of the Board
Varitronix International Limited
Ko Chun Shun, Johnson
Chairman

Hong Kong, 22 April 2016

As at the date of this announcement, the Board comprises six Directors, of which Mr. Ko Chun Shun, Johnson, Ms. Ko Wing Yan, Samantha and Mr. Ho Te Hwai, Cecil are executive Directors, and Dr. Lo Wing Yan, William J.P., Mr. Chau Shing Yim, David and Mr. Hou Ziqiang are independent non-executive Directors.