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# TPV

## TPV TECHNOLOGY LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 903)**

### **CONTINUING CONNECTED TRANSACTIONS: THE PROCUREMENT AGREEMENTS**

**Independent financial adviser  
to the Independent Board Committee and the Independent Shareholders**



**SOMERLEY CAPITAL LIMITED**

#### **THE PROCUREMENT AGREEMENTS**

The Board is pleased to announced that, on 15 September 2015, Top Victory entered into the NW Procurement Agreement and the HK Procurement Agreement with Nanjing Wally and Huizhou Kaifa respectively in relation to the Top Victory Group's procurement of the Products from the Nanjing Wally Group and/or the Huizhou Kaifa Group.

#### **LISTING RULES IMPLICATIONS**

Each of Nanjing Wally and Huizhou Kaifa is a connected person of the Company under the Listing Rules by virtue of it being a subsidiary of CEC, the ultimate controlling shareholder of the Company. As one or more of the applicable percentage ratios (other than the profits ratio) as defined under the Listing Rules in respect of the Annual Caps exceeds 5%, the Continuing Connected Transactions (including the Annual Caps) are subject to the announcement, reporting, annual review and independent shareholders' approval requirements under the Listing Rules.

The Company will convene the SGM for the purpose of considering and approving the Continuing Connected Transactions (including the Annual Caps). A circular containing, among other things, (i) details of the Continuing Connected Transactions (including the Annual Caps); (ii) a letter from the Independent Board Committee; (iii) a letter of advice from Somerley; and (iv) a notice convening the SGM, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules, which is currently expected to be on or before 30 September 2015.

CEC and its associates will abstain from voting on the resolution(s) relating to the Continuing Connected Transactions (including the Annual Caps) at the SGM.

## **THE NW PROCUREMENT AGREEMENT**

The Board is pleased to announced that, on 15 September 2015, Top Victory entered into the NW Procurement Agreement with Nanjing Wally in relation to the Top Victory Group's procurement of the Products from the Nanjing Wally Group. Details of the NW Procurement Agreement are set out below.

### **Terms of the NW Procurement Agreement**

#### **Date**

15 September 2015

#### **Parties**

- (1) Top Victory; and
- (2) Nanjing Wally

#### **Principle terms**

Pursuant to the NW Procurement Agreement, the Top Victory Group may procure the Products from the Nanjing Wally Group.

#### **Pricing basis and payment terms**

The procurement of the Products by the Top Victory Group from the Nanjing Wally Group will be by way of purchase order, which will set out the quality, model type, specifications, pricing and payment terms of the Products. Pursuant to the NW Procurement Agreement, the pricing and payment terms of the Products shall be negotiated on an arm's length basis between the parties to the NW Procurement Agreement and the pricing shall be determined based on normal commercial terms with reference to the cost of the raw materials and core components, prevailing market prices of the Products that are fair and reasonable. In any event the pricing and payment terms of the Products provided by Nanjing Wally shall be no less favourable to the Top Victory Group than those offered by independent third party vendors. Further information of the pricing policies for the procurement of the Products is set out in the paragraph headed "Pricing policies" below in this announcement.

#### **Conditions precedent**

The NW Procurement Agreement is conditional upon the fulfilment of the following conditions:

- (i) receiving the approval by the Board and passing of an ordinary resolution by the Independent Shareholders at the SGM by way of a poll to approve the NW Procurement Agreement (including the Annual Caps);
- (ii) receiving the approval by the board of directors of CGCSZ and receiving the approval by the shareholders of CGCSZ at a general meeting (if necessary);
- (iii) receiving the approval by the board of directors of Nanjing Huadong and receiving the approval by the shareholders of Nanjing Huadong at a general meeting (if necessary); and

(iv) compliance of all other relevant regulation(s) in relation to the NW Procurement Agreement.

### **Term and renewal**

The NW Procurement Agreement shall become effective upon fulfilment of the conditions precedent above and shall continue in force until 31 December 2017. Subject to compliance with the requirements of the Listing Rules, Top Victory and Nanjing Wally may agree to renew or extend the term of the NW Procurement Agreement for the subsequent three-year periods. The renewal or extension of the NW Procurement Agreement will be subject to the relevant approval procedures in accordance with the Listing Rules and the listing rules of the Shenzhen Stock Exchange.

### **Termination**

Unless otherwise specified in the NW Procurement Agreement, Top Victory has a right to terminate the NW Procurement Agreement if, among other things, (i) Nanjing Wally commits a material breach of the NW Procurement Agreement and fails to remedy that breach after giving a 30-day written notice; (ii) Nanjing Wally and its associates cease to be connected persons of the Company; and (iii) any of the parties to the NW Procurement Agreement has filed for or being declared bankrupt.

## **THE HK PROCUREMENT AGREEMENT**

The Board is pleased to announced that, on 15 September 2015, Top Victory entered into the HK Procurement Agreement with Huizhou Kaifa in relation to the Top Victory Group's procurement of the Products from the Huizhou Kaifa Group. Details of the HK Procurement Agreement are set out below.

### **Terms of the HK Procurement Agreement**

#### **Date**

15 September 2015

#### **Parties**

- (1) Top Victory; and
- (2) Huizhou Kaifa

#### **Principle terms**

Pursuant to the HK Procurement Agreement, the Top Victory Group may procure the Products from the Huizhou Kaifa Group.

#### **Pricing basis and payment terms**

The procurement of the Products by the Top Victory Group from the Huizhou Kaifa Group will be by way of purchase order, which will set out the quality, model type, specifications, pricing and payment terms of the Products. Pursuant to the HK Procurement Agreement, the pricing and payment terms of the Products shall be negotiated on an arm's length basis between the parties to the HK Procurement Agreement and the pricing shall be determined based on normal commercial terms with reference to the cost of the raw materials and core

components, prevailing market prices of the Products that are fair and reasonable. In any event the pricing and payment terms of the Products provided by Huizhou Kaifa shall be no less favourable to the Top Victory Group than those offered by independent third party vendors. Further information of the pricing policies for the procurement of the Products is set out in the paragraph headed “Pricing policies” below in this announcement.

### **Conditions precedent**

The HK Procurement Agreement is conditional upon the fulfilment of the following conditions:

- (i) receiving the approval by the Board and passing of an ordinary resolution by the Independent Shareholders at the SGM by way of a poll to approve the HK Procurement Agreement (including the Annual Caps);
- (ii) receiving the approval by the board of directors of CGCSZ and receiving the approval by the shareholders of CGCSZ at a general meeting (if necessary);
- (iii) receiving the approval by the board of directors of Shenzhen Kaifa Technology Co., Ltd. and receiving the approval by the shareholders of Shenzhen Kaifa Technology Co., Ltd. at a general meeting (if necessary); and
- (iv) compliance of all other relevant regulation(s) in relation to approving the HK Procurement Agreement.

### **Term and renewal**

The HK Procurement Agreement shall become effective upon fulfilment of the conditions precedent above and shall continue in force until 31 December 2017. Subject to compliance with the requirements of the Listing Rules, Top Victory and Huizhou Kaifa may agree to renew or extend the term of the HK Procurement Agreement for the subsequent three-year periods. The renewal or extension of the HK Procurement Agreement will be subject to the relevant approval procedures in accordance with the Listing Rules and the listing rules of the Shenzhen Stock Exchange.

### **Termination**

Unless otherwise specified by the HK Procurement Agreement, Top Victory has a right to terminate the HK Procurement Agreement if, among other things, (i) Huizhou Kaifa commits a material breach of the HK Procurement Agreement and fails to remedy that breach after giving a 30-day written notice; (ii) Huizhou Kaifa and its associates cease to be connected persons of the Company; and (iii) any of the parties to the HK Procurement Agreement has filed for or being declared bankrupt.

## THE ANNUAL CAPS

Set out below are the Annual Caps for the three years ending 31 December 2017 (the “**Cap Period**”).

	For the year ending 31 December		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
Annual Caps	15,700 <i>(Note)</i>	71,100	80,900

*Note:* The cap amount for the year ending 31 December 2015 only covers the period from the effective date of the Procurement Agreements to 31 December 2015.

The Annual Caps are determined by reference to a number of factors, particularly (i) the demand forecast of advanced touch modules (the “**Advanced Touch Modules**”) for 2015 provided by a customer; (ii) the projected 20% growth in demand for the Products for 2016 and 2017; (iii) the projected average purchase prices of the Products during the Cap Period; and (iv) a buffer of 20% to accommodate the abrupt changes in procurement quantity of the Products.

The Top Victory Group, depending on the then available relevant terms and conditions offered by the Nanjing Wally Group, the Huizhou Kaifa Group and other third party vendors, may decide to purchase some or all of the Products from the Nanjing Wally Group and/or the Huizhou Kaifa Group. It is not until the time of placing the purchase orders that the Top Victory Group will decide on whether such purchase orders will be placed with the Nanjing Wally Group, the Huizhou Kaifa Group and/or other third party vendors. Therefore, for the purpose of determining the Annual Caps, the Group has assumed that the Products will be supplied by either the Nanjing Wally Group or the Huizhou Kaifa Group or a combination of both during the Cap Period. Hence only one set of annual caps for the Continuing Connected Transactions, but not two (i.e. one for each of the Nanjing Wally Group and the Huizhou Kaifa Group), is sought for Independent Shareholders’ approval by the Company.

## PRICING POLICIES

In the course of the procurement of the Products, the Nanjing Wally Group and/or the Huizhou Kaifa Group shall sell the relevant products to members of the Top Victory Group on a purchase-by-purchase basis. The price and specifications of the relevant products shall be specified in a purchase order to be issued by the Top Victory Group to the Nanjing Wally Group and/or the Huizhou Kaifa Group. Prior to the issue of the purchase order, the Top Victory Group will obtain the price quotation from the Nanjing Wally Group and/or the Huizhou Kaifa Group through a request for quotation. The price quotation is subject to a tendering process by the Top Victory Group, in which price quotations offered by at least two other independent third party suppliers will be benchmarked, based on the same specifications, to ensure the final procurement price is fair and reasonable with reference to the prevailing market price. In doing so, the procurement officer initiating the request for quotation will select the price quotations obtained from independent third party suppliers with products that resemble most closely with specifications of the Products. The procurement officer will then compare the selected price quotations with the price quotation obtained from the Nanjing Wally Group and/or the Huizhou Kaifa Group. After the procurement officer’s review and approval of the price quotations, he/she will present the request for quotation and the relevant

support documents of the tendering process (including the reasons for his/her chosen independent third party price quotations) for further review and approval by a manager and the director of procurement to ensure the supplier offering the lowest price is selected given the other terms are equivalent. The final price and other terms of the purchase order are subject to mutual agreement by the management of both parties after arm's length negotiation and based on normal commercial terms.

## **INFORMATION ON THE PARTIES**

### **The Company**

TPV is an internationally-renowned monitor and TV manufacturer. It has been listed on both the Hong Kong and Singapore stock exchanges since 1999.

TPV has enjoyed significant growth over the last two decades by successfully leveraging its core competencies in manufacturing, operational efficiency, research and development as well as its exceptional commitment to quality.

TPV serves as an original design manufacturer for some of the best-known TV and PC brands in the industry. In addition to developing these constructive partnerships, TPV distributes its products worldwide under its own brands "AOC" and "Envision".

In 2009 and 2011, TPV entered into noteworthy license agreements with Koninklijke Philips N.V. ("**Philips**") to secure the rights to sell Philips-branded monitors globally and Philips-branded TVs in the PRC. In April 2012, the Group established TP Vision Holding B.V. ("**TP Vision**"), a joint-venture company with Philips, to takeover Philips' TV business in most regions of the world. In June 2014, TP Vision became a wholly-owned subsidiary of TPV.

### **Top Victory**

Top Victory is a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company. The principal activities of Top Victory are the trading of computer monitors and flat TVs and sourcing of raw materials for the production of computer monitors and flat TVs.

### **Nanjing Wally**

Nanjing Wally is a company established in the PRC with limited liability and a non-wholly owned subsidiary of CEC. Nanjing Wally is a non-wholly owned subsidiary of Nanjing Huadong, whose A-shares are listed on the Shenzhen Stock Exchange in the PRC (stock code: 000727). It is principally engaged in research and development, manufacturing and marketing of a number of electronic products including touch modules/panels.

### **Huizhou Kaifa**

Huizhou Kaifa is a company established in the PRC with limited liability and wholly owned by Shenzhen Kaifa Technology Co., Ltd., whose A-shares are listed on the Shenzhen Stock Exchange in the PRC (stock code: 000021) and a non-wholly owned subsidiary of CEC. It is principally engaged in development, design, manufacture and sale of touch module/panel/components and relevant equipment.

## **REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS**

The procurement of the Products by the Top Victory Group from the Nanjing Wally Group and/or the Huizhou Kaifa Group is considered an integral part of the ordinary and usual course of business of the Group and will be conducted on normal commercial terms and on an arm's length basis.

The Directors (excluding the independent non-executive Directors, whose views will be rendered in a circular to be despatched to the Shareholders after considering the recommendations from Somerley) consider that the Procurement Agreements will enable the Group to (i) secure stable supply of a range of touch modules, panels and components with different sizes from reputable suppliers within the CEC Group; (ii) fulfill the growing demand for customised touch modules and panels; (iii) support the upcoming new project development; and (iv) command better bargaining power in future negotiations with other touch modules, panels and components suppliers.

The Directors (excluding the independent non-executive Directors, whose views will be rendered in a circular to be despatched to the Shareholders after considering the recommendations from Somerley) consider the entering into of the Continuing Connected Transactions is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole and the terms of the Continuing Connected Transactions (including the Annual Caps) are on normal commercial terms, fair and reasonable as far as the Independent Shareholders are concerned.

## **LISTING RULES IMPLICATIONS**

Each of Nanjing Wally and Huizhou Kaifa is a connected person of the Company under the Listing Rules by virtue of it being a subsidiary of CEC, the ultimate controlling shareholder of the Company. As one or more of the applicable percentage ratios (other than the profits ratio) as defined under the Listing Rules in respect of the Annual Caps exceeds 5%, the Continuing Connected Transactions (including the Annual Caps) are subject to the announcement, reporting, annual review and independent shareholders' approval requirements under the Listing Rules.

## **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee comprising all independent non-executive Directors has been formed to advise the Independent Shareholders on the Continuing Connected Transactions (including the Annual Caps). The Company has appointed Somerley as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

## **GENERAL**

The Company will convene the SGM for the purpose of considering and approving the Continuing Connected Transactions (including the Annual Caps). A circular containing, among others, (i) details of the Continuing Connected Transactions (including the Annual Caps); (ii) a letter from the Independent Board Committee; (iii) a letter of advice from Somerley; and (iv) a notice convening the SGM, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules, which is currently expected to be on or before 30 September 2015.

CEC and its associates will abstain from voting on the resolution(s) relating to the Continuing Connected Transactions (including the Annual Caps) at the SGM.

## DEFINITIONS

Unless the context requires otherwise, the following terms used in this announcement shall have the meanings as set out below:

“Annual Caps”	the proposed annual maximum aggregate value for the Continuing Connected Transactions for the period from the effective date of the Procurement Agreements to 31 December 2017
“associate(s)”	has the meaning given to it under the Listing Rules
“Board”	the board of Directors
“CEC”	中國電子信息產業集團有限公司 (China Electronics Corporation*), a state-owned company established in the PRC with limited liability and the ultimate controlling shareholder of the Company
“CEC Group”	CEC and its subsidiaries (for the purpose of this announcement, exclude the Group)
“CGCSZ”	中國長城計算機深圳股份有限公司 (China Great Wall Computer Shenzhen Co., Ltd.*), a joint stock company established in the PRC with limited liability, whose A shares are listed on the Shenzhen Stock Exchange in the PRC (stock code: 000066) also being a substantial shareholder of the company and controlled by CEC
“Company” or “TPV”	TPV Technology Limited, a company incorporated in Bermuda with limited liability, the shares of which are primarily listed on the main board of the Stock Exchange and secondarily listed on the Singapore Exchange Limited
“connected person(s)”	has the meaning given to it under the Listing Rules
“Continuing Connected Transactions”	the Procurement Agreements and the transactions contemplated thereunder
“controlling shareholder(s)”	has the meaning given to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK Procurement Agreement”	the procurement agreement dated 15 September 2015 entered into between Top Victory and Huizhou Kaifa in relation to the procurement of the Products by the Top Victory Group from the Huizhou Kaifa Group



“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Huizhou Kaifa”	惠州長城開發科技有限公司 (Huizhou Kaifa Technology Co., Ltd.*), a company established in the PRC with limited liability and wholly owned by Shenzhen Kaifa Technology Co., Ltd., whose A-shares are listed on the Shenzhen Stock Exchange in the PRC (stock code: 000021)
“Huizhou Kaifa Group”	Huizhou Kaifa, its subsidiaries and associates
“Independent Board Committee”	an independent committee of the Board formed comprising all independent non-executive Directors, namely Mr. Chan Boon Teong, Dr. Ku Chia-Tai and Mr. Wong Chi Keung, to advise the Independent Shareholders on the Continuing Connected Transactions (including the Annual Caps)
“Independent Shareholders”	the Shareholders other than CEC and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Nanjing Huadong”	南京華東電子信息科技股份有限公司 (Nanjing Huadong Electronics Information & Technology Co., Ltd.*), a company established in the PRC with limited liability, whose A shares are listed on the Shenzhen Stock Exchange in the PRC (stock code: 000727)
“Nanjing Wally”	南京華睿川電子科技有限公司 (Nanjing Wally Electronics Technology Co., Ltd.*), a company established in the PRC with limited liability, a non-wholly owned subsidiary of Nanjing Huadong
“Nanjing Wally Group”	Nanjing Wally, its subsidiaries and associates
“NW Procurement Agreement”	the procurement agreement dated 15 September 2015 entered into between Top Victory and Nanjing Wally in relation to the procurement of the Products by the Top Victory Group from the Nanjing Wally Group
“PC(s)”	personal computer(s)
“PRC” or “China”	the People’s Republic of China and, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Procurement Agreements”	the NW Procurement Agreement and the HK Procurement Agreement
“Products”	touch modules and related components
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

“SGM”	the special general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the Continuing Connected Transactions (including the Annual Caps)
“Share(s)”	the ordinary share(s) of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Somerley”	Somerley Capital Limited, a corporation licensed under the Securities and Futures Commission to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions (including the Annual Caps)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning given to it under the Listing Rules
“Top Victory”	Top Victory Investments Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Top Victory Group”	Top Victory and its subsidiaries
“TV(s)”	television(s)
“US\$”	United States dollar(s), the lawful currency of the United States of America
“%”	per cent

For and on behalf of the Board of  
**TPV Technology Limited**  
**Dr. Hsuan, Jason**  
*Chairman and Chief Executive Officer*

Hong Kong, 15 September 2015

*As at the date of this announcement, the Board comprises one executive Director, namely Dr. Hsuan, Jason, and five non-executive Directors, namely Mr. Liu Liehong, Ms. Wu Qun, Dr. Li Jun, Ms. Bi Xianghui and Mr. Hideki Noda, and three independent non-executive Directors, namely Mr. Chan Boon Teong, Dr. Ku Chia-Tai and Mr. Wong Chi Keung.*

\* *The English translations of the Chinese names are for identification purpose only.*