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TPV

TPV TECHNOLOGY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 903)

CONTINUING CONNECTED TRANSACTION: THE PROCUREMENT AGREEMENT

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



THE PROCUREMENT AGREEMENT

The Board is pleased to announce that, on 20 January 2017, Top Victory, a wholly-owned subsidiary of the Company, entered into the Procurement Agreement with GCE Yike in relation to the Top Victory Group's procurement of the Products from the GCE Yike Group.

LISTING RULES IMPLICATIONS

GCE Yike 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 Transaction (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 Transaction (including the Annual Caps). A circular containing, among other things, (i) details of the Continuing Connected Transaction (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 10 February 2017.

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

INTRODUCTION

The Board is pleased to announce that, on 20 January 2017, Top Victory, a wholly-owned subsidiary of the Company, entered into the Procurement Agreement with GCE Yike in relation to the Top Victory Group's procurement of the Products from the GCE Yike Group to meet the demand for Top Victory's production, manufacturing and market development of its own products. Details of the Agreement are set out below.

Principal terms of the Procurement Agreement

Date

20 January 2017

Parties

- (1) Top Victory; and
- (2) GCE Yike

Principle terms

Pursuant to the Procurement Agreement, the Top Victory Group may procure the Products from the GCE Yike Group.

Pricing basis and other terms

The procurement of the Products by the Top Victory Group from the GCE Yike Group will be by way of purchase orders, which will set out the quality, model type, specifications, pricing and payment terms of the Products. Pursuant to the Procurement Agreement, the pricing and other terms shall be negotiated on an arm's length basis between the parties to the Procurement Agreement (i.e. their respective senior management) and 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 and in any event the pricing and other terms provided by the GCE Yike Group shall be no less favourable to the Top Victory Group than those offered by independent third party suppliers. 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.

Payment terms

The parties to the Procurement Agreement agreed that the payment terms under the Procurement Agreement shall be net 30 days (i.e. the Top Victory Group shall settle the invoice in full within 30 days from the invoice day).

Product quantity demand forecast and safety stock

Pursuant to the terms of the Procurement Agreement, Top Victory Group shall provide monthly product quantity demand forecast to the GCE Yike Group for its planning of production, supply and inventory reserve. Furthermore, it is agreed that the GCE Yike Group will maintain and prepare safety stock of around one-month of quantity to meet the sudden demand hikes of the Top Victory Group.

Conditions precedent

The 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 Continuing Connected Transaction (including the Annual Caps); and
- (ii) compliance of all other relevant regulation(s) in relation to the Continuing Connected Transaction (including the Annual Caps).

Term and renewal

The Procurement Agreement shall become effective upon fulfilment of the conditions precedent above and shall continue in force until 31 December 2019. Subject to compliance with the relevant requirements of the Listing Rules, Top Victory and GCE Yike may agree to renew or extend the term of the Procurement Agreement for the subsequent three-year periods. The renewal or extension of the Procurement Agreement will be subject to the then relevant approval procedures in accordance with the Listing Rules.

Termination

Unless otherwise specified by the Procurement Agreement, Top Victory has a right to terminate the Procurement Agreement if, among other things, (i) GCE Yike commits a material breach of the Procurement Agreement and fails to remedy that breach after giving a 30-day written notice; (ii) GCE Yike and its associates cease to be connected persons of the Company; and (iii) any of the parties to the 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 2019 (the “**Cap Period**”).

	For the year ending 31 December		
	2017	2018	2019
	US\$'000	US\$'000	US\$'000
Annual Caps in respect of the procurement of the Products	57,700 (Note)	63,500	70,000

Note: The cap amount for the year ending 31 December 2017 only covers the period from the effective date of the Procurement Agreement to 31 December 2017.

The Annual Caps are determined by reference to a number of factors, particularly (i) the projected average purchase prices of the Products for the year ending 31 December 2017 based on the historical average purchase prices of the Products for the year ended 31 December 2016 plus a buffer of around 25% to accommodate inflations and possible change of product line up; (ii) the estimated procurement quantities of the Products for the year ending 31 December 2017 based on the estimated sales quantities of the final Products to tap into the newly developed overseas emerging markets for the year ending 31 December 2017; and (iii) the projected growth in the estimated procurement quantities of the Products for each of the two years ending 31 December 2018 and 2019 of approximately 10% per annum.

PRICING POLICIES

The procurement of the Products by the Top Victory Group from the GCE Yike Group will be by way of purchase orders, which will set out the model type, specification, pricing and payment terms of the Products.

In the course of the procurement of the Products, the GCE Yike Group shall sell the relevant Products to members of the Top Victory Group on a purchase-by-purchase basis.

Prior to the issue of a purchase order, the Top Victory Group will obtain the price quotation from the GCE Yike Group through a request for quotation. The price quotation is subject to a closed tendering process by the Top Victory Group, in which price quotations offered by at least two other independent third party suppliers from the Top Victory Group's approved suppliers list will be shortlisted, based on the same payment terms with reference to the prevailing market price, to ensure the final procurement price is fair and reasonable. The procurement officer will then compare the selected price quotations with the price quotation obtained from the GCE Yike Group.

After the procurement officer's review and approval of the price quotations, he/she will present the price quotations from the GCE Yike Group and the independent third party suppliers and the relevant support documents of the closed tendering process (including the reasons for his/her chosen independent third party price quotations) for further review and approval by the deputy director/director in the procurement department 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 PC 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 and also distributes its own brands "AOC", "Envision" and licenced Philips monitors, TVs, mobile phones and tablets products in most regions worldwide.

Top Victory

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

GCE Yike

GCE Yike is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of CEC. It is principally engaged in the distribution of mobile phones, tablets and other related electronic products. It is the e-Commerce platform for electronic components built by CEC. It provides media and online community, innovative applications, technical support, big data analysis, financial and modern supply chain services.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTION

The procurement of the Products by the Top Victory Group from the GCE Yike 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 Agreement will enable the Group to (i) secure stable supply of customized mobile phones and tablets from a reputable supplier within the CEC Group; (ii) obtain a favorable payment terms (i.e. net 30 days) from the GCE Yike Group which is unavailable from other third party manufacturers in the market; (iii) render better support to the Top Victory Group's market and distribution channels; and (iv) command better bargaining power in future negotiations with other 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 terms of the Continuing Connected Transaction (including the Annual Caps) to be in the ordinary and usual course of business

of the Group, on normal commercial terms, fair and reasonable as far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

GCE Yike 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 Transaction (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 Transaction (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 Transaction (including the Annual Caps). A circular containing, among others, (i) details of the Continuing Connected Transaction (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 10 February 2017.

CEC and its associates will abstain from voting on the resolution(s) relating to the Continuing Connected Transaction (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 Transaction for the period from the effective date of the Procurement Agreement to 31 December 2019
“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)
“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 Securities Trading Limited
“connected person(s)”	has the meaning given to it under the Listing Rules
“Continuing Connected Transaction”	the transactions contemplated thereunder under the Procurement Agreement (including the Annual Caps)
“controlling shareholder(s)”	has the meaning given to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“GCE Yike”	廣東中電億科電子器材有限公司 (Guangdong CE Yike Electronic Appliance Co., Ltd.*), a company established in the PRC with limited liability
“GCE Yike Group”	GCE Yike, its subsidiaries and associates
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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 Transaction (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
“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 Agreement”	the procurement agreement dated 20 January 2017 entered into between Top Victory and GCE Yike in relation to the procurement of the Products by the Top Victory Group from the GCE Yike Group
“Products”	the mobile phones, tablets, related components designed, manufactured, marketed or sold by the GCE Yike Group and other related products as agreed between the parties to the Procurement Agreement
“SGM”	the special general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the Continuing Connected Transaction (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)
“Sommerley” or “Independent Financial Adviser”	Sommerley 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 Securities and Futures Ordinance, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transaction (including the Annual Caps)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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, its subsidiaries and associates
“TV(s)”	television(s)

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

Hong Kong, 20 January 2017

As at the date of this announcement, the Board comprises one executive Director, namely Dr. Hsuan, Jason, and four non-executive Directors, namely Mr. Liu Liehong, Ms. Wu Qun, Dr. Li Jun and Ms. Bi Xianghui 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 illustrative purpose only.*