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TPV

TPV TECHNOLOGY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 903)

**REVISION OF
EXISTING CONTINUING CONNECTED TRANSACTION
AND
ENTERING INTO OF
NEW CONTINUING CONNECTED TRANSACTIONS**

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



SOMERLEY CAPITAL LIMITED

(1) THE REVISED SZIT PROCUREMENT AGREEMENT

Reference is made to the circular of the Company dated 18 January 2018 regarding the Existing SZIT Procurement Agreement. Top Victory and SZIT entered into a supplemental agreement to the Existing SZIT Procurement Agreement on 11 December 2018, pursuant to which the payment term is revised from 120 days to a new payment term which will be based on normal commercial terms and determined by reference to prevailing market terms. Top Victory and SZIT agreed to extend the term of the Existing SZIT Procurement Agreement to 31 December 2021. Pursuant to the Revised SZIT Procurement Agreement, Top Victory will continue to procure the SZIT Products from the SZIT Group respectively.

(2) THE EPILIGHT PROCUREMENT AGREEMENT

The Board announces that Top Victory and Epilight entered into the Epilight Procurement Agreement on 11 December 2018. Pursuant to the Epilight Procurement Agreement, the Top Victory Group will procure the Epilight Products from the Epilight Group.

(3) THE CEC JIUTIAN PURCHASE AND SERVICES AGREEMENT

The Board announces that the Company and CEC Jiutian entered into the CEC Jiutian Purchase and Services Agreement on 11 December 2018. Pursuant to the CEC Jiutian Purchase and Services Agreement, the Group may purchase the CEC Jiutian Equipment and Services from the CEC Jiutian Group.

(4) THE JINGWAH PROCUREMENT AGREEMENT

The Board announces that MMD and Jingwah entered into the Jingwah Procurement Agreement on 11 December 2018. Pursuant to the Jingwah Procurement Agreement, MMD may procure the Philips Audio and Video Products from the Jingwah Group.

(5) THE DISTRIBUTION AGREEMENT

The Board announces that MMD and JWD entered into the Distribution Agreement on 11 December 2018. Pursuant to the Distribution Agreement, MMD appointed JWD as a non-exclusive distributor of the Philips Audio and Video Products in the PRC.

(6) THE PANDA FPD QUALITY SORTING SERVICES AGREEMENT

The Board announces that TPV Display and Panda FPD entered into the Panda FPD Quality Sorting Services Agreement on 11 December 2018. Pursuant to the Panda FPD Quality Sorting Services Agreement, TPV Display may provide quality sorting services on LCD panels sold by Panda FPD.

(7) IMPLICATIONS UNDER THE LISTING RULES

CEC is a connected person of the Company under the Listing Rules by virtue of it being the ultimate controlling shareholder of the Company. Each of SZIT, Epilight, CEC Jiutian, Jingwah, JWD and Panda FPD is connected person of the Company under the Listing Rules by virtue of each of them being a subsidiary or an associate of CEC.

As the highest applicable percentage ratio (other than the profits ratio) as defined under the Listing Rules in respect of the Annual Caps, when aggregated, exceeds 5%, each of the Continuing Connected Transactions (including the Annual Caps) is subject to the announcement, reporting, annual review and independent shareholders' approval requirements under the Listing Rules.

As the highest applicable percentage ratio (other than the profits ratio) as defined under the Listing Rules in respect of the Panda FPD Quality Sorting Services Annual Caps exceeds 0.1% but all applicable percentage ratios are less than 5%, the Panda FPD Quality Sorting Services Continuing Connected Transaction is subject to the announcement, annual review and reporting requirements but exempt from independent shareholders' approval requirement under the Listing Rules.

(8) GENERAL

The Company will convene the SGM for the purpose of considering and approving each of the Continuing Connected Transactions (including the Annual Caps). A circular containing, among other things, (i) details of each 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 4 January 2019.

(A) THE REVISED SZIT PROCUREMENT AGREEMENT

1. Background

Reference is made to the circular of the Company dated 18 January 2018 regarding the Existing SZIT Procurement Agreement. On 11 December 2018, the Board announces that Top Victory, a wholly-owned subsidiary of the Company, and SZIT entered into a supplemental agreement, pursuant to which, Top Victory and SZIT mutually agreed to revise the payment term from 120 days to a new payment term which will be based on normal commercial terms and determined by reference to prevailing market terms. Top Victory and SZIT agreed to extend the term of the Existing SZIT Procurement Agreement to 31 December 2021. Other terms of the Existing SZIT Procurement Agreement remain unchanged. Principal terms of the Revised SZIT Procurement Agreement are set out below.

2. Date

11 December 2018

3. Parties

- (i) Top Victory (as buyer); and
- (ii) SZIT (as seller)

4. Subject matter

Pursuant to the Revised SZIT Procurement Agreement, the Top Victory Group may procure the SZIT Products from the SZIT Group.

5. Pricing basis

The procurement of the SZIT Products by the Top Victory Group from the SZIT Group will be by way of purchase order. The pricing terms of the SZIT Products shall be determined as fair and reasonable based on normal commercial terms by reference to the costs of the raw materials and core components, as well as prevailing market prices. Payment term shall be based on normal commercial terms. In any event, such terms shall be no less favourable to the Top Victory Group than those offered by independent third party vendors.

6. Safety stock level

The SZIT Group guarantees the Top Victory Group that there will not be any stock shortage throughout the term of the Revised SZIT Procurement Agreement.

7. Conditions precedent

The Revised SZIT Procurement Agreement is conditional upon, if applicable:

- (i) the approvals by the Board and the Independent Shareholders by way of a poll at the SGM to approve the SZIT Procurement Continuing Connected Transaction (including the SZIT Procurement Annual Caps); and
- (ii) the approval under all relevant regulations in relation to the Revised SZIT Procurement Agreement.

8. Term and renewal

Subject to fulfillment of the conditions precedent, the Revised SZIT Procurement Agreement shall become effective on 1 January 2019 and continue in force until 31 December 2021. Subject to compliance with the requirements of the Listing Rules, Top Victory and SZIT may renew the Revised SZIT Procurement Agreement.

9. Termination

Unless otherwise specified in the Revised SZIT Procurement Agreement, Top Victory has a right to terminate the Revised SZIT Procurement Agreement if, among other things, SZIT commits a material breach of the Revised SZIT Procurement Agreement and fails to remedy that breach after giving a 30-day written notice.

10. The SZIT Procurement Annual Caps

Set out below are the SZIT Procurement Annual Caps for the Cap Period.

	For the year ending 31 December		
	2019	2020	2021
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
The SZIT Procurement Annual Caps	51,950	65,170	73,820

The SZIT Procurement Annual Caps were determined by reference to a number of factors, particularly (i) the historical amounts of procurement of the SZIT Products by the Group of approximately US\$5,801,000, US\$7,105,000 and US\$18,356,000 for the two years ended 31 December 2016 and 2017 and for the nine months ended 30 September 2018, respectively; (ii) the historical procurement of the electronic components or semi-conductors and other related products from the SZIT Group and other suppliers; (iii) the projected growth in demand for electronic components or semi-conductors and other related products during the term of the Revised SZIT Procurement Agreement;

and (iv) the projected purchase prices of the SZIT Products during the term of the Revised SZIT Procurement Agreement by reference to the latest average market prices of the SZIT Products in the third quarter of 2018.

(B) THE EPILIGHT PROCUREMENT AGREEMENT

1. Background

The Board announces that Top Victory and Epilight entered into the Epilight Procurement Agreement on 11 December 2018. Pursuant to the Epilight Procurement Agreement, the Top Victory Group may procure the Epilight Products, which are light bar materials and other related products, from the Epilight Group. Principal terms of the Epilight Procurement Agreement are set out below.

2. Date

11 December 2018

3. Parties

- (i) Top Victory (as buyer); and
- (ii) Epilight (as seller)

4. Subject matter

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

5. Pricing basis

The procurement of the Epilight Products by the Top Victory Group from the Epilight Group will be by way of purchase order. The pricing and payment terms of the Epilight Products shall be determined as fair and reasonable based on normal commercial terms by reference to the costs of the raw materials and core components, as well as prevailing market prices. In any event, such terms shall be no less favourable to the Top Victory Group than those offered by independent third party vendors.

6. Safety stock level

The Epilight Group guarantees the Top Victory Group that there will not be any stock shortage throughout the term of the Epilight Procurement Agreement.

7. Conditions precedent

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

- (i) the approvals by the Board and the Independent Shareholders by way of a poll at the SGM to approve the Epilight Continuing Connected Transaction (including the Epilight Procurement Annual Caps); and
- (ii) the approval under all relevant regulations in relation to the Epilight Procurement Agreement.

8. Term and renewal

Subject to fulfillment of the conditions precedent, the Epilight Procurement Agreement shall become effective on 1 January 2019 and continue in force until 31 December 2021. Top Victory and Epilight may agree to renew or extend the term of the Epilight Procurement Agreement for subsequent three-year periods subject to the approval procedures in accordance with the Listing Rules.

9. Termination

Unless otherwise specified in the Epilight Procurement Agreement, Top Victory has a right to terminate the Epilight Procurement Agreement if, among other things, Epilight commits a material breach of the Epilight Procurement Agreement and fails to remedy that breach after giving a 30-day written notice.

10. The Epilight Procurement Annual Caps

Set out below are the Epilight Procurement Annual Caps for the Cap Period.

	For the year ending 31 December		
	2019	2020	2021
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
The Epilight Procurement Annual Caps	4,000	5,000	5,000

The Epilight Procurement Annual Caps were determined by reference to a number of factors, particularly (i) the estimated total amount of light bar materials required by the factories of the Top Victory Group located in the PRC during the term of the Epilight Procurement Agreement; (ii) the expected allocation of procurement of light bar materials by the factories of the Top Victory Group from Epilight; and (iii) the projected purchase prices of the light bar materials and other related products during the term of the Epilight Procurement Agreement by reference to the latest average market prices of the light bar materials and other related products.

(C) THE CEC JIUTIAN PURCHASE AND SERVICES AGREEMENT

1. Background

The Board announces that Top Victory and CEC Jiutian entered into the CEC Jiutian Purchase and Services Agreement on 11 December 2018. Pursuant to the CEC Jiutian Purchase and Services Agreement, the Group (including its parent companies and close associates) may purchase the CEC Jiutian Equipment and Services, which are equipment and services related to intelligent manufacturing including software, automation, smart logistics and intelligent warehousing, from the CEC Jiutian Group. Principal terms of the CEC Jiutian Purchase and Services Agreement are set out below.

2. Date

11 December 2018

3. Parties

- (i) Top Victory (as purchaser); and
- (ii) CEC Jiutian (as supplier)

4. Subject matter

Pursuant to the CEC Jiutian Purchase and Services Agreement, the Group (including its parent companies and close associates) may purchase the CEC Jiutian Equipment and Services from the CEC Jiutian Group.

5. Pricing basis

The purchase of the CEC Jiutian Equipment and Services from the CEC Jiutian Group will be by way of purchase order. The pricing and payment terms of the CEC Jiutian Equipment and Services shall be determined as fair and reasonable based on normal commercial terms and in any event CEC Jiutian guarantees the pricing and other terms will not be less favourable to the Group than the pricing and other terms of similar products and services offered by independent third party suppliers. CEC Jiutian further guarantees that the prices offered by the CEC Jiutian Group should be aligned to the lowest available price offered by the CEC Jiutian Group to independent third party purchasers.

6. Conditions precedent

The CEC Jiutian Purchase and Services Agreement is conditional upon the fulfilment of the following conditions:

- (i) the approvals by the Board and the Independent Shareholders by way of a poll at the SGM to approve the CEC Jiutian Purchase and Services Continuing Connected Transaction (including the CEC Jiutian Equipment Procurement Annual Caps); and
- (ii) the approval under all relevant regulations in relation to the CEC Jiutian Purchase and Services Agreement.

7. Term and renewal

Subject to fulfillment of the conditions precedent, the CEC Jiutian Purchase and Services Agreement shall become effective on 1 January 2019 and continue in force until 31 December 2021. Subject to compliance of the Listing Rules, Top Victory and CEC Jiutian may agree to renew or extend the term of the CEC Jiutian Purchase and Services Agreement for subsequent three-year periods.

8. Termination

Unless otherwise specified in the CEC Jiutian Purchase and Services Agreement, Top Victory has a right to terminate the CEC Jiutian Purchase and Services Agreement if, among other things, CEC Jiutian commits a material breach of the CEC Jiutian Purchase and Services Agreement and fails to remedy that breach after giving a 30-day written notice.

9. After-sale services

CEC Jiutian undertakes to provide all necessary technical support and training in relation to the CEC Jiutian Equipment and Services.

10. The CEC Jiutian Purchase and Services Annual Caps

Set out below are the CEC Jiutian Purchase and Services Annual Caps for the Cap Period.

	For the year ending 31 December		
	2019	2020	2021
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
The CEC Jiutian Purchase and Services Annual Caps	12,500	12,500	12,500

The CEC Jiutian Purchase and Services Annual Caps were determined by reference to a number of factors, particularly (i) the projected total capital expenditure of the Group for the year ending 31 December 2019; (ii) the number of intelligent manufacturing projects to be implemented by the Group for the year ending 31 December 2019; and (iii) the estimated capital expenditure to be invested in the intelligent manufacturing projects for the years ending 31 December 2020 and 2021.

(D) THE JINGWAH PROCUREMENT AGREEMENT

1. Background

The Board announces that MMD, a wholly-owned subsidiary, and Jingwah entered into the Jingwah Procurement Agreement on 11 December 2018. Pursuant to the Jingwah Procurement Agreement, the MMD Group may procure the Philips Audio and Video Products, which are the Philips branded MP3 players, MP4 players, digital video recorders and related products, from the Jingwah Group. Principal terms of the Jingwah Procurement Agreement are set out below.

2. Date

11 December 2018

3. Parties

- (i) MMD (as buyer); and
- (ii) Jingwah (as seller)

4. Subject matter

Pursuant to the Jingwah Procurement Agreement, the MMD Group may procure the Philips Audio and Video Products from the Jingwah Group.

5. Pricing basis

The procurement of the Philips Audio and Video Products by the MMD Group from the Jingwah Group will be by way of purchase order. The pricing and payment terms of the Philips Audio and Video Products shall be determined as fair and reasonable based on normal commercial terms by reference to the costs of the raw materials and core components, as well as prevailing market prices. In any event, such terms shall be no less favourable to the MMD Group than those offered by independent third party vendors.

6. Safety stock level

The Jingwah Group guarantees the MMD Group that there will not be any stock shortage throughout the term of the Jingwah Procurement Agreement.

7. Conditions precedent

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

- (i) the approvals by the Board and the Independent Shareholders by way of a poll at the SGM to approve the Jingwah Procurement Continuing Connected Transaction (including the Jingwah Procurement Annual Caps); and
- (ii) the approval under all relevant regulations in relation to the Jingwah Procurement Agreement.

8. Term and renewal

Subject to fulfillment of the conditions precedent, the Jingwah Procurement Agreement shall become effective on 1 January 2019 and continue in force until 31 December 2021. Subject to compliance of the Listing Rules, MMD and Jingwah may agree to renew or extend the term of the Jingwah Procurement Agreement for subsequent three-year periods.

9. Termination

Unless otherwise specified in the Jingwah Procurement Agreement, MMD has a right to terminate the Jingwah Procurement Agreement if, among other things, Jingwah commits a material breach of the Jingwah Procurement Agreement and fails to remedy that breach after giving a 30-day written notice.

10. The Jingwah Procurement Annual Caps

Set out below are the Jingwah Procurement Annual Caps for the Cap Period.

	For the year ending 31 December		
	2019	2020	2021
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
The Jingwah Procurement Annual Caps	1,248	1,248	1,248

The Jingwah Procurement Annual Caps were determined by reference to a number of factors, particularly (i) the purchase forecast on the Philips Audio and Video Products for the year ending 31 December 2019 provided by JWD; and (ii) a buffer of 30% on top of the purchase forecast provided by JWD.

(E) THE DISTRIBUTION AGREEMENT

1. Background

The Board announces that MMD and JWD entered into the Distribution Agreement on 11 December 2018. Pursuant to the Distribution Agreement, MMD appointed JWD as a non-exclusive distributor of the Philips Audio and Video Products in the PRC. Principal terms of the Distribution Agreement are set out below.

2. Date

11 December 2018

3. Parties

- (i) MMD (as supplier); and
- (ii) JWD (as distributor)

4. Subject matter

Pursuant to the Distribution Agreement, MMD appointed JWD as a non-exclusive distributor of the Philips Audio and Video Products in the PRC.

5. Purchase forecast

Pursuant to the Distribution Agreement, MMD shall sell the Philips Audio and Video Products to JWD on a purchase-by-purchase basis. During the term of the Distribution Agreement, JWD shall submit a report on monthly basis including three-month rolling purchase quantity forecast, comparison between sales target and actual sales, financial results, development plan, status of receivables, market research report and product service status of the Philips Audio and Video Products.

6. Basis of determining prices and other terms for distribution of the Philips Audio and Video Products

MMD shall issue a monthly update on the price list of the Philips Audio and Video Products. MMD has the right to adjust the price of the Philips Audio and Video Products at its discretion. JWD shall purchase the Philips Audio and Video Products in accordance to the price list as agreed with MMD.

The price and specifications of the Philips Audio and Video Products shall be specified in a purchase order, which includes the model, purchase quantity and delivery location, to be issued by JWD. The terms of the sales of the Philips Audio and Video Products will be determined after arm's length negotiation

between the parties to the Distribution Agreement. The pricing and other terms of the Philips Audio and Video Products shall be (i) on normal commercial terms; (ii) determined after arm's length negotiation; and (iii) in any event, on normal commercial terms or no less favourable than prevailing reasonable market price and terms to MMD.

7. Payment term

MMD only delivers goods upon receipt of payment from JWD.

8. Conditions precedent

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

9. Term and renewal

Subject to fulfillment of the conditions precedent, the Distribution Agreement shall commence on 1 January 2019 and continue in force until 31 December 2021. Subject to compliance of the Listing Rules, MMD and JWD may agree to renew or extend the term of the Distribution Agreement for subsequent three-year period.

10. Termination

The Distribution Agreement can be terminated if, among other things, (i) any party to the Distribution Agreement commits a breach of the Distribution Agreement and fails to rectify such breach within 30 days from receiving the written notice from another party; (ii) JWD fails to meet the minimum sales amount target under the Distribution Agreement; (iii) JWD fails to settle any payments within 15 days from receiving written notice from MMD; or (iv) JWD becomes insolvent or declares bankruptcy.

11. Other terms

JWD shall guarantee the spread rate between the final selling price of the Philips Audio and Video Products sold to retail customers and the purchase price of the Philips Audio and Video Product purchased from MMD shall be no less than 20%–20.5% (depending on products).

MMD will provide a rebate of 3% for MP3 players and MP4 players and no rebate for digital video recorders of the procurement amount, on a quarterly or an annual basis, to JWD if JWD achieves target procurement amount, which can be used to offset the amount payable for the procurement in the subsequent month.

12. The Distribution Annual Caps

Set out below are the Distribution Annual Caps for the Cap Period.

	For the year ending 31 December		
	2019	2020	2021
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
The Distribution Annual Caps	1,560	1,560	1,560

The Distribution Annual Caps were determined by reference to a number of factors, particularly (i) the purchase forecast on the Philips Audio and Video Products for the year ending 31 December 2019 provided by JWD; and (ii) a buffer of 30% on top of the purchase forecast provided by JWD.

(F) THE PANDA FPD QUALITY SORTING SERVICES AGREEMENT

1. Background

The Board announces that TPV Display and Panda FPD entered into the Panda FPD Quality Sorting Services Agreement on 11 December 2018. Pursuant to the Panda FPD Quality Sorting Services Agreement, TPV Display (including its parent companies, subsidiaries and close associates) may provide quality sorting and related services on LCD panels sold by Panda FPD (including its parent companies, subsidiaries and close associates). Principal terms of the Panda FPD Quality Sorting Services Agreement are set out below.

2. Date

11 December 2018

3. Parties

- (i) TPV Display (as service provider); and
- (ii) Panda FPD (as purchaser)

4. Subject matter

Pursuant to the Panda FPD Quality Sorting Services Agreement, TPV Display (including its parent companies, subsidiaries and close associates) may provide quality sorting and related services on LCD panels sold by Panda FPD (including its parent companies, subsidiaries and close associates). The provision of quality sorting service is not a condition to the procurement of LCD panels from Panda FPD.

5. Pricing basis

The pricing and other terms of the transactions shall be determined between the parties on an arm's length basis and on normal commercial terms. In any event, the pricing and other terms shall be based on normal commercial terms or no less favourable than the prevailing market rates for both parties.

6. Conditions precedent

The Panda FPD Quality Sorting Services Agreement is conditional upon the fulfilment of the following conditions (where applicable):

- (iii) receiving the approval by the Board to approve the Panda FPD Quality Sorting Service Agreement (including the Panda FPD Quality Sorting Service Annual Caps); and
- (iv) compliance of all other relevant regulation(s) (where applicable) in relation to the Panda FPD Quality Sorting Services Agreement.

7. Term and renewal

Subject to fulfillment of the conditions precedent, the Panda FPD Quality Sorting Services Agreement shall become effective on 1 January 2019 and will continue in force until 31 December 2021. Subject to compliance with, among other things, the requirements of the Listing Rules (where applicable), TPV Display and Panda FPD may agree to renew the Panda FPD Quality Sorting Services Agreement.

8. Termination

The Panda FPD Quality Sorting Services Agreement can be terminated upon a 30-day written notice by either party to the other party. In addition, the Panda FPD Quality Sorting Services Agreement can be terminated by TPV Display in writing to Panda FPD if, among other things, Panda FPD commits a breach and fails to remedy that breach within the required period after the notice given by TPV Display.

9. The Panda FPD Quality Sorting Services Annual Caps

Set out below are the Panda FPD Quality Sorting Services Annual Caps for the Cap Period.

	For the year ending 31 December		
	2019	2020	2021
	US\$'000	US\$'000	US\$'000
The Panda FPD Quality Sorting Services Annual Caps	350	300	300

The Panda FPD Quality Sorting Services Annual Caps were determined by reference to a number of factors, particularly (i) the historical amounts of quality sorting services provided by TPV Display to Panda FPD of approximately US\$25,000 for the nine months ended 30 September 2018; (ii) the expected demand of approximately 777,000 sets of LCD panel for the year ending 31 December 2019, approximately 666,000 sets of LCD panel for each of the two years ending 31 December 2020 and 2021 to be inspected by TPV Display; and (iii) the projected average service charge of approximately US\$0.45 per set of LCD panel.

(G) PRICING POLICIES AND PROCEDURES FOR THE CONTINUING CONNECTED TRANSACTIONS AND THE PANDA FPD QUALITY SORTING SERVICES CONTINUING CONNECTED TRANSACTIONS

Set out below are the pricing policies and procedures of the Group for the Continuing Connected Transactions and the Panda FPD Quality Sorting Service Continuing Connected Transactions.

1. Procurements of the SZIT Products, the Epilight Products and the CEC Jiutian Equipment and Services

In the course of procurements of the SZIT Products, the Epilight Products and the CEC Jiutian Equipment and Services, the relevant member of the Epilight Group, the SZIT Group and the CEC Jiutian Group (the “**Seller Group**”) shall sell the relevant products and services to members of the Top Victory Group on a purchase-by-purchase basis. The price and specifications of the relevant products and services shall be specified in a purchase order to be issued by members of the Top Victory Group to members of the Seller Group.

Prior to the issue of the purchase order, the procurement officer of the Top Victory Group will obtain price quotation from the Seller Group through a request for quotation. The price quotation is subject to a tendering process by the Top Victory Group, in which price quotations provided by at least two independent third party suppliers will be benchmarked. The procurement officer

will select the price quotations obtained from independent third party suppliers with products and/or services that resemble most closely with specifications of the relevant products and/or services and compare with the price quotation issued by the Seller Group. Afterwards, the procurement officer will present the request for quotation and the relevant supporting documents of the tendering process (including the reasons for the chosen independent third party price quotations) for further review and approval by a manager and the director of procurement department of the Top Victory Group 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 determined on normal commercial terms and subject to mutual agreement by the management of both parties after arm's length negotiations.

2. Procurement and distribution of the Philips Audio and Video Products

On 1 June 2018, the Group and Philips entered into an exclusive trademark license agreement, pursuant to which Philips granted the use of the Philips trademarks for sales, marketing and distribution of certain audio and video products, including the Philips Audio and Video Products, worldwide (subject to certain exceptions) to the Group. Since the Group does not have the production capacity and distribution network of the Philips Audio and Video Products in the PRC, the Group shall procure from Jingwah and sell to JWD, a fellow subsidiary of Jingwah, the Philips Audio and Video Products in the PRC on a back-to-back basis (i.e. the Group will only purchase the Philips Audio and Video Products from Jingwah when a purchase order of the same is received from JWD and the Group will not keep any inventory of the Philips Audio and Video Products in this process).

In respect of the pricing of the distribution of the Philips Audio and Video Products to JWD, since JWD is the only distributor of the Philips Audio and Video Products currently appointed by the Group in the PRC, it may not be practical to conduct benchmarking for determining the pricing of the sales of the Philips Audio and Video Products to JWD. Instead, a mark-up of 25% over the procurement price of the Philips Audio and Video Products under the Jingwah Procurement Agreement will be applied to the selling price of the Philips Audio and Video Products under the Distribution Agreement. The mark-up was determined based on the budgeted mark-up of all other existing Philips audio and video products be sold by the Group for the year ending 31 December 2019, which ranges from 20% to 27%.

As the Group is unable to identify any supplier of the Philips Audio and Video Products in the PRC except for Jingwah, the pricing of the Philips Audio and Video Products procured from Jingwah will be determined solely based on Jingwah's quotations. Since the purchase and sales of the Philips Audio and

Video Products will be on a back-to-back basis as mentioned above, the Group will earn the mark-up of 25% in any circumstances regardless of the procurement price.

3. Provision of the Panda FPD quality sorting services

In respect of the pricing of the Panda FPD quality sorting services, the Group will firstly calculate a base price of the relevant services based on, where applicable, the costs of components, logistic costs, labour cost, taxes and other relevant costs and together a minimum gross margin. The base price is then subject to benchmarking to at least two or more of the following prevailing market prices as available: (i) price quotations to independent third party customers of comparable services; and (ii) prices offered by independent third party suppliers in the market for comparable services. The final price quotation shall be at a price in line with the prevailing market price determined by benchmarking the abovementioned quotations and, in any event, not lower than the price quotations of comparable services provided to independent third party customers by the Group. After computing the final price quotation as above, the relevant sales officer of the Group will present the price quotation, other relevant terms of price quotation and the relevant supporting documents of the benchmarking (including the reasons for the chosen independent third party price quotations and the verified cost data) for final review and approval by the head of sales of the Group.

(H) REASONS FOR AND BENEFITS OF ENTERING INTO OF THE CONTINUING CONNECTED TRANSACTIONS

The Continuing Connected Transactions

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) are of the view that the Continuing Connected Transactions are 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. They consider that:

1. the SZIT Procurement Continuing Connected Transaction will enable the Group to (i) optimise its electronic components procurement channels; (ii) bring in the latest electronic components product resources to the Top Victory Group; and (iii) generate a certain degree of cost savings from economics of bulk purchasing and one-stop procurement of logistics services;
2. the Epilight Continuing Connected Transaction will enable the Group to (i) optimise its light bar materials procurement channels; (ii) generate a certain degree of cost savings; and (iii) command better bargaining power in future negotiations with other suppliers;

3. the CEC Jiutian Purchase and Services Continuing Connected Transaction will enable the Group to (i) provide total solutions for the automation projects in factory intelligent manufacturing; (ii) generate a certain degree of cost savings; and (iii) command better bargaining power in future negotiations with other suppliers;
4. the Jingwah Procurement Continuing Connected Transaction will enable the Group to (i) outsource the production of the Philips Audio and Video Products without investing additional capital; (ii) generate a certain degree of cost savings; and (iii) access to stable after-sale service by the Jingwah Group; and
5. the Distribution Continuing Connected Transaction will enable the Group to (i) generate additional revenue with guaranteed margin for the Group by securing a stable and long-term distributor; (ii) distribute the Philips Audio and Video Products through leveraging on JWD's strong distribution channels and capabilities in the PRC; and (iii) command better bargaining power in future negotiation with other distributors.

They also consider the entering into of the Continuing Connected Transactions (including the Annual Caps) are in the interests of the Company and the Shareholders as a whole and the terms of the Continuing Connected Transactions are on normal commercial terms and fair and reasonable.

The Panda FPD Quality Sorting Services Continuing Connected Transaction

The Directors (including the independent non-executive Directors) are of the view that the Panda FPD Quality Sorting Services Continuing Connected Transaction is 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. They consider the entering into of the Panda FPD Quality Sorting Services Continuing Connected Transaction will enable the Group to (i) generate additional revenue to the Group; and (ii) improve the Group's operating efficiency.

They also consider the entering into the Panda FPD Quality Sorting Services Continuing Connected Transaction (including the Panda FPD Quality Sorting Services Annual Caps) are in the interests of the Company and the Shareholders as a whole and the terms of the Panda FPD Quality Sorting Services Continuing Connected Transaction are on normal commercial terms and fair and reasonable.

(I) INFORMATION ON THE PARTIES

1. 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., a joint-venture company with Philips, to takeover Philips’ TV business in most regions of the world. In June 2014, TP Vision Holding B.V. became a wholly-owned subsidiary of TPV.

2. 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.

3. MMD

MMD is a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company. It is principally engaged in sales and distribution of computer monitors and flats TVs.

4. TPV Display

TPV Display is a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company. It is principally engaged in manufacturing of monitors and TVs.

5. CEC

CEC is a state-owned conglomerate directly under the administration of the central government of the PRC, and the largest state-owned information technology company in China. It was established in 1989 and originated from the former Ministry of Electronics Industry as a result of government restructuring. The principal activities of CEC comprise the manufacture and sale of electronic products.

6. SZIT

SZIT is a company established in the PRC with limited liability and a wholly-owned subsidiary of CEC. It is a national electronic components e-commerce platform of CEC focusing on internet information technology, electronic components trading, media community, application innovation, technical support, big data, finance, modern supply chain and distribution services.

7. Epilight

Epilight is a company established in the PRC with limited liability and an associate of IRICO Group Company Limited, which is controlled by CEC. It is principally engaged in full-colour, UHB LED epitaxial wafers, chip, lamp beads, light bar, compound semiconductor device development and production.

8. CEC Jiutian

CEC Jiutian is a company established in the PRC with limited liability and an indirectly non wholly-owned subsidiary of CEC. CEC Jiutian is principally engaged in the research and development, promotion, technology transfer and technical services of computer software, hardware and technology; the development and production of electronic product; information system integration; wholesale and retail of goods; the foreign trade deal of the import and export of goods and technologies; house leasing; and enterprise management services.

9. Jingwah

Jingwah is a company established in the PRC with limited liability and an associate of CEC. It is principally engaged in research, development and production of high-technology products.

10. JWD

JWD is a company established in the PRC with limited liability and an associate of CEC. It is principally engaged in sale, production and trading of high-technology products.

11. Panda FPD

Panda FPD is a company established in the PRC with limited liability and a non wholly-owned subsidiary of CEC. It is principally engaged in the manufacture of LCD panels and displays.

(J) LISTING RULES IMPLICATIONS

CEC is a connected person of the Company under the Listing Rules by virtue of it being the ultimate controlling shareholder of the Company. Each of SZIT, Epilight, CEC Jiutian, Jingwah, JWD and Panda FPD is connected person of the Company under the Listing Rules by virtue of each of them being a subsidiary or an associate of CEC.

As the highest applicable percentage ratio (other than the profits ratio) as defined under the Listing Rules in respect of the Annual Caps, when aggregated, exceeds 5%, each of the Continuing Connected Transactions (including the Annual Caps) is subject to the announcement, reporting, annual review and independent shareholders' approval requirements under the Listing Rules.

As the highest applicable percentage ratio (other than the profits ratio) as defined under the Listing Rules in respect of the Panda FPD Quality Sorting Services Annual Caps exceeds 0.1% but all applicable percentage ratios are less than 5%, the Panda FPD Quality Sorting Services Continuing Connected Transaction is subject to the announcement, annual review and reporting requirements but exempt from independent shareholders' approval requirement under the Listing Rules.

Save for Mr Zhang Dongchen, Mr Xu Guofei, Ms Jia Haiying, Dr Li Jun and Ms Bi Xianghui who are officers of CEC, none of the Directors had material interest in the Continuing Connected Transactions and the Panda FPD Quality Sorting Services Continuing Connected Transaction. As such, Mr Zhang Dongchen, Mr Xu Guofei, Ms Jia Haiying, Dr Li Jun and Ms Bi Xianghui had abstained from voting in respect of Board resolutions in relation to the Continuing Connected Transactions and the Panda FPD Quality Sorting Services Continuing Connected Transaction.

(K) INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors, has been formed to advise the Independent Shareholders on the terms of 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.

(L) GENERAL

The Company will convene the SGM for the purpose of considering and approving each of the Continuing Connected Transactions (including the Annual Caps). A circular containing, among other things, (i) details of each 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 4 January 2019.

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

(M) DEFINITIONS

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

“Annual Caps”	the SZIT Procurement Annual Caps, the Epilight Procurement Annual Caps, the CEC Jiutian Purchase and Services Annual Caps, the Jingwah Procurement Annual Caps and the Distribution Annual Caps
“associate(s)”	has the meaning given to it in the Listing Rules
“Board”	the board of Directors
“Cap Period”	for the three years ending 31 December 2021
“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 Jiutian”	中電九天智能科技有限公司 (CEC Jiutian Intelligent Technology Co., Ltd.*), a company established in the PRC with limited liability and a subsidiary of CEC
“CEC Jiutian Equipment and Services”	equipment and services related to intelligent manufacturing including software, automation, smart logistics and intelligent warehousing
“CEC Jiutian Purchase and Services Agreement”	the purchase and services agreement dated 11 December 2018 entered into between Top Victory and CEC Jiutian in relation to the purchase of the CEC Jiutian Equipment and Services
“CEC Jiutian Purchase and Services Annual Caps”	the proposed annual maximum aggregate value for the CEC Jiutian Purchase and Services Continuing Connected Transaction for the three years ending 31 December 2021

“CEC Jiutian Purchase and Services Continuing Connected Transaction”	the CEC Jiutian Purchase and Services Agreement and the transactions contemplated thereunder
“close associate(s)”	has the meaning given to it in the Listing Rules
“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 Singapore Exchange Limited
“connected person(s)”	has the meaning given to it in the Listing Rules
“Continuing Connected Transactions”	the SZIT Procurement Continuing Connected Transaction, the Epilight Procurement Continuing Connected Transaction, the CEC Jiutian Purchase and Services Continuing Connected Transaction, the Jingwah Procurement Continuing Connected Transaction and the Distribution Continuing Connected Transaction
“Director(s)”	the director(s) of the Company
“Distribution Agreement”	the non-exclusive distributorship agreement dated 11 December 2018 entered into between MMD and JWD in relation to the distribution of the Philips Audio and Video Products in the PRC
“Distribution Annual Caps”	the proposed annual maximum aggregate value for the Distribution Continuing Connected Transaction for the three years ending 31 December 2021
“Distribution Continuing Connected Transaction”	the Distribution Agreement and the transactions contemplated thereunder
“Epilight”	Hefei IRICO Epilight Technology Co., Ltd.* (合肥彩虹藍光科技有限公司), a company established in the PRC with limited liability and an associate of IRICO Group Company Limited* (彩虹集團公司), which is controlled by CEC
“Epilight Group”	Epilight and its parent companies, subsidiaries and close associates

“Epilight Procurement Agreement”	the procurement agreement dated 11 December 2018 entered into between Top Victory and Epilight in relation to the procurement of the Epilight Products by the Top Victory Group from the Epilight Group
“Epilight Procurement Annual Caps”	the proposed annual maximum aggregate value for the Epilight Procurement Continuing Connected Transaction for the three years ending 31 December 2021
“Epilight Procurement Continuing Connected Transaction”	the Epilight Procurement Agreement and the transactions contemplated thereunder
“Epilight Products”	light bar materials and other related products
“Existing SZIT Procurement Agreement”	the procurement agreement dated 19 December 2017 entered into between Top Victory and SZIT in relation to the procurement of the SZIT Products by the Top Victory Group from the SZIT Group
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board 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
“Jingwah”	Jingwah Information Technology Co., Ltd (深圳市京華信息技術有限公司), a company established in the PRC with limited liabilities and an associate of CEC
“Jingwah Group”	Jingwah and its subsidiaries and close associates
“Jingwah Procurement Agreement”	the procurement agreement dated 11 December 2018 entered into between MMD and Jingwah in relation to the procurement of the Philips Audio and Video Products in the PRC

“Jingwah Procurement Annual Caps”	the proposed annual maximum aggregate value for the Jingwah Procurement Continuing Connected Transaction for the three years ending 31 December 2021
“Jingwah Procurement Continuing Connected Transaction”	the Jingwah Procurement Agreement and the transactions contemplated thereunder
“JWD”	Jingwah Digital Technology Co., Ltd (深圳市京華數碼科技有限公司), a company established in the PRC with limited liabilities and an associate of CEC
“LCD panel(s)”	liquid crystal display panel(s)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MMD”	MMD (Shanghai) Electronics Technology Co., Ltd* (飛生(上海)電子科技有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“MMD Group”	MMD and its subsidiaries and close associates
“Panda FPD”	Nanjing CEC Panda FPD Technology Co., Ltd (南京中電熊貓平板顯示科技有限公司), a company established in the PRC with limited liability and a non wholly-owned subsidiary of CEC
“Panda FPD Quality Sorting Services Agreement”	the service agreement dated 11 December 2018 entered into between TPV Display and Panda FPD in respect of the quality sorting and related services of the panels sold by Panda FPD provided by TPV Display
“Panda FPD Quality Sorting Services Annual Caps”	the proposed annual maximum aggregate value for the Panda FPD Quality Sorting Services Continuing Connected Transaction for the three years ending 31 December 2021
“Panda FPD Quality Sorting Services Continuing Connected Transaction”	the Panda FPD Quality Sorting Services Agreement and the transactions contemplated thereunder

“PC”	personal computers
“Philips”	Philips Koninklijke Philips N.V.
“Philips Audio and Video Products”	the Philips branded MP3 players, MP4 players, digital video recorders and related products
“PRC”	the People’s Republic of China, for the purpose of this announcement, specifically exclude Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Revised SZIT Procurement Agreement”	the Existing SZIT Procurement Agreement as revised by the supplemental agreement dated 11 December 2018 entered into between Top Victory Group and SZIT in relation to the revision of payment term and extension the validity period of the Existing SZIT Procurement Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“SGM”	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 Shares
“Somerley”	Somerley Capital Limited, a corporation licensed by 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 and 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
“SZIT”	深圳中電國際信息科技有限公司 (Shenzhen CECI Information Technology Co., Ltd.*), a company established in the PRC with limited liability and a wholly-owned subsidiary of CEC

“SZIT Group”	SZIT and its parent companies, subsidiaries and close associates
“SZIT Procurement Annual Caps”	the proposed annual maximum aggregate value for the Supplemental SZIT Procurement Continuing Connected Transaction for the three years ending 31 December 2021
“SZIT Procurement Continuing Connected Transaction”	the Revised SZIT Procurement Agreement and the transactions contemplated thereunder
“SZIT Products”	electronic components or semi-conductors and other related products
“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 and close associates
“TPV Display”	TPV Display Technology (Wuhan) Co., Ltd (冠捷顯示科技(武漢)有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“TV(s)”	television(s)
“US\$”	United States dollar(s), the lawful currency of the United States of America
“%”	per cent.

By Order of the Board
Dr Hsuan, Jason
Chairman and Chief Executive Officer

Hong Kong, 11 December 2018

As at the date of this announcement, the Board comprises one executive director, namely Dr Hsuan, Jason, and five non-executive directors, namely Mr Zhang Dongchen, Mr Xu Guofei, Ms Jia Haiying, 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

For the purpose of this announcement and illustration only, conversions of RMB into US\$ is based on the exchange rate of RMB6.9 to US\$1.0. No representation is made that any amount in RMB or US\$ could be or could have been converted at the above rate or at any other rates.

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