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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**

 **SOMERLEY LIMITED**

Top Victory, a wholly-owned subsidiary of the Company, and Panda LCD entered into the Procurement Agreement on 1 June 2012 pursuant to which the Top Victory Group may procure the Products from the Panda LCD Group.

Panda LCD is a connected person of the Company under the Listing Rules by virtue of it being a non-wholly owned subsidiary of CEC, the ultimate controlling shareholder of the Company. As one or more of the applicable percentage ratios (as defined under the Listing Rules and other than the profits ratio), on an annual basis and in respect of the Annual Caps exceeds 5.0% and is not less than HK\$10.0 million, the transactions contemplated under the Procurement Agreement (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 Procurement Agreement (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 22 June 2012.

INTRODUCTION

On 1 June 2012, Top Victory, a wholly-owned subsidiary of the Company, and Panda LCD entered into the Procurement Agreement and the details of the Procurement Agreement are as follows:

The Procurement Agreement

Date

1 June 2012

Parties

- (1) Top Victory; and
- (2) Panda LCD

Principle terms

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

Pricing basis

The procurement of the Products by the Top Victory Group from the Panda LCD 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 Procurement Agreement, the pricing and payment terms of the Products shall be negotiated on an arm's length basis between the parties to the Procurement Agreement and be determined based on normal commercial terms with reference to prevailing market prices that are fair and reasonable and in any event should be below the best available price offered by the Panda LCD Group to independent third parties.

Production planning and warehousing

Pursuant to the Procurement Agreement, to assist the Panda LCD Group with an orderly planning of adequate supplies, production and stock levels, the Top Victory Group will, on a regular monthly basis, provide a three-month roll-forecast to the Panda LCD Group. In the event of any changes in delivery of the Products, the Panda LCD Group will use its best endeavour to store the relevant Products in its own warehouse facilities. Furthermore, the Panda LCD Group will maintain a one-month safety stock level of the Products to meet the Top Victory Group's production needs. During the term of the Procurement Agreement, both parties to the Procurement Agreement are committed to conduct regular quarterly review of production planning road maps, in order to facilitate new Products research and development as well as the launch of new Products.

Quality and services requirements

The Top Victory Group and the Panda LCD Group should confirm technical specifications and product acceptance specifications of the Products before the bulk delivery of the relevant Products. Details of the specific quality and services requirements are set out in the Procurement Agreement.

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 Procurement Agreement (including the Annual Caps);
- (ii) receiving the approval by the board of directors of GWT and passing of an ordinary resolution by the independent shareholders of GWT at a general meeting by way of a poll to approve the Procurement Agreement (including the Annual Caps);
- (iii) receiving the approval by the board of directors of CGCSZ and receiving the approval by the shareholders of CGCSZ at a general meeting; and
- (iv) receiving all other approval(s) in relation to approving the Procurement Agreement.

Term and renewal

The Procurement Agreement shall become effective upon fulfilment of the conditions precedent above and shall continue in force until 31 December 2014. Subject to compliance with the requirements of the Listing Rules, the Procurement Agreement shall be revised and/or renewed for subsequent three-year periods. The Company will comply with the then Listing Rules if the Procurement Agreement is to be renewed and/or extended after its expiry on 31 December 2014.

Termination

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

THE ANNUAL CAPS

Set out below are the Annual Caps for the three financial years ending 31 December 2014 (the “**Period**”).

	For the year ending 31 December		
	2012	2013	2014
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Annual Caps	241,573	556,800	679,440
	<i>(Note)</i>		

Note: The cap amount for the year ending 31 December 2012 only covers the period from the effective date of the Procurement Agreement to 31 December 2012.

The Annual Caps are determined by reference to a number of factors, particularly (i) the historical procurement of LCD panels and related products from other suppliers; (ii) the projected growth in demand for the Products during the Period; (iii) the projected production capacity of the Products by the Panda LCD Group during the Period; (iv) the projected purchase prices of the Products during the Period; and (v) a buffer to accommodate changes in other costs as well as abrupt volume change of purchasing orders.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTION

The Group is the world's leading PC monitor and LCD TV manufacturer. The Group has been able to drive its growth over the years by leveraging its economies of scale and core competencies in R&D, manufacturing, logistic efficiency and superb quality. The Group also distributes its products globally under its own brands AOC and Envision. In 2009 and 2011, the Group acquired exclusive licenses to sell Philips' monitors globally and TVs in China. In April 2012, the Group formed a joint venture, TP Vision, with Philips to take over the latter's TV business. The Company has been listed on both Hong Kong and Singapore stock exchanges since October 1999.

Panda LCD 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.

The procurement of the Products by the Top Victory Group from the Panda LCD 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 following an arm's length negotiation between the parties to the Procurement Agreement. The Directors (excluding the independent non-executive Directors, whose views will be rendered after considering the recommendations from Somerley) consider that the Procurement Agreement will enable the Group to (i) secure stable panel supplies from a reputable supplier within the CEC Group; and (ii) command better bargaining power in future negotiations with other panel suppliers.

As the Procurement Agreement will be carried out in the ordinary and usual course of the Group's business and on normal commercial terms, the Directors (excluding the independent non-executive Directors, whose views will be rendered after considering the recommendations from Somerley) are of the view that terms of the Continuing Connected Transaction (including the Annual Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Panda LCD is a connected person of the Company under the Listing Rules by virtue of it being a non-wholly owned subsidiary of CEC, the ultimate controlling shareholder of the Company. As one or more of the applicable percentage ratios (as defined under the Listing Rules and other than the profits ratio), on an annual basis and in respect of the Annual Caps exceeds 5.0% and is not less than HK\$10.0 million, the transactions contemplated under the Procurement Agreement (including the Annual Caps) are subject to the announcement, reporting, annual review and independent shareholders' approval requirements under the Listing Rules.

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.

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 Procurement Agreement (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 22 June 2012.

DEFINITIONS

“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 2014
“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
“CGCSZ”	中國長城計算機深圳股份有限公司 (China Great Wall 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
“Company”	TPV Technology Limited, a company incorporated in Bermuda with limited liability, the issued 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 continuing connected transaction to be entered into between the Top Victory Group and the Panda LCD Group pursuant to the Procurement Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries

“GWT”	Great Wall Technology Co., Ltd. (長城科技股份有限公司), a joint stock company established in the PRC with limited liability, whose H shares are listed on the Stock Exchange, an indirect subsidiary of CEC
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“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
“LCD panel(s)”	the liquid crystal display panel(s)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Panda LCD”	南京中電熊貓液晶顯示科技有限公司 (Nanjing CEC Panda LCD Technology Co., Ltd), a company established in the PRC with limited liability and a non-wholly owned subsidiary of CEC
“Panda LCD Group”	Panda LCD and its parent companies, subsidiaries, associates and connected persons
“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 1 June 2012 entered into between Top Victory and Panda LCD in relation to the procurement of the Products by the Top Victory Group from the Panda LCD Group
“Products”	the LCD panels and other related products designed, manufactured, or sold by the Panda LCD Group
“SGM”	the special general meeting to be convened for the purpose of considering, and if thought fit, approving the Continuing Connected Transaction (including the Annual Caps)
“Share(s)”	ordinary share(s) of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

“Somerley” or the “Independent Financial Adviser”	Somerley Limited, a corporation licensed by the Securities and Futures Commission to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) 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 and its subsidiaries, associates and connected persons
“US\$”	United States dollar(s), the lawful currency of the United States of America

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

Hong Kong, 1 June 2012

As at the date of this announcement, the Board comprises one executive Director, namely Dr. Hsuan, Jason, and eight non-executive Directors, namely Mr. Liu Liehong, Mr. Lu Ming, Ms. Wu Qun, Mr. Xu Haihe, Mr. Du Heping, Mr. Tam Man Chi, Mr. Jun Nakagome and Mr. Chen Yen-Sung, and three independent non-executive Directors, namely Mr. Chan Boon-Teong, Dr. Ku Chia-Tai and Mr. Wong Chi Keung.