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TPV

TPV TECHNOLOGY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 903)

CONTINUING CONNECTED TRANSACTIONS

FINANCIAL SERVICES AGREEMENT WITH CEC FINANCE

FINANCIAL SERVICES AGREEMENT

The Board announces that on 30 October 2017 (after trading hours), the Company has entered into the Financial Services Agreement, pursuant to which CEC Finance will provide a range of financial services to the Group and the Group will utilise such financial services on a non-exclusive basis for a term of three years commencing on 1 January 2018 to 31 December 2020.

LISTING RULES IMPLICATIONS

CEC, which is interested in approximately 37.05% of the issued share capital of the Company as at the date of this announcement, is the ultimate controlling shareholder of the Company and hence a connected person of the Company. CEC Finance, being a subsidiary of CEC, is also a connected person of the Company.

Pursuant to Rule 14A.90 of the Listing Rules, the RMB and foreign currency loan services contemplated under the Financial Services Agreement constitute financial assistance by CEC Finance to the Group, as they are for the benefit of the Group on normal commercial terms or better and are not secured by any assets of the Group, therefore, they are fully exempt from the requirements under Chapter 14A of the Listing Rules. As there are no handling fees charged by CEC Finance on the Other Financial Services contemplated under the Financial Services Agreement, they constitute de minimis transactions of the Company under Chapter 14A of the Listing Rules, and therefore, they are fully exempt from the requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the bank acceptance bills discounting without recourse services and the cash management services as contemplated under the Financial Services Agreement are more than 5%, they are subject to the announcement, independent shareholders' approval, annual review and reporting requirements under Chapter 14A of the Listing Rules.

SGM

The SGM will be convened to consider and, if thought fit, to approve the bank acceptance bills discounting without recourse services and the cash management services (including their respective proposed annual caps) as contemplated under the Financial Services Agreement. CEC and its associates shall abstain from voting at the SGM.

DESPATCH OF CIRCULAR

The Company expects that a circular containing, among other things, (i) further information on the bank acceptance bills discounting without recourse services and the cash management services (including their respective proposed annual caps) as contemplated under the Financial Services Agreement, (ii) the recommendation from the Independent Board Committee to the Independent Shareholders, (iii) the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, and (iv) the notice of SGM, will be published and issued by the Company and despatched to the Shareholders on or before 20 November 2017.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders, and Altus Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the bank acceptance bills discounting without recourse services and the cash management services (including their respective proposed annual caps) as contemplated under the Financial Services Agreement.

BACKGROUND

The Board announces that on 30 October 2017 (after trading hours), the Company has entered into the Financial Services Agreement, pursuant to which CEC Finance will provide a range of financial services to the Group and the Group will utilise such financial services on a non-exclusive basis for a term of three years commencing on 1 January 2018 to 31 December 2020.

FINANCIAL SERVICES AGREEMENT

Date : 30 October 2017 (after trading hours)

Parties: (i) the Company; and
(ii) CEC Finance

The financial services to be provided by CEC Finance to the Group under the Financial Services Agreement include:

- (a) Bank acceptance bills discounting without recourse;
- (b) RMB and foreign currency loans;
- (c) Cash management, including but not limited to payments and collections, foreign currency exchanges, deposit services such as time deposits, call deposits and negotiable deposits; and

(d) Other services including bank acceptance bills collection, principal protected financial investments and money market funds services (the “**Other Financial Services**”).

Bank Acceptance Bills Discounting without Recourse

The bank acceptance bills discounting without recourse services shall be provided on normal commercial terms or better. The discount rates shall not be higher than the rates offered by other domestic commercial banks for comparable discounting services. The bank acceptance bills discounting without recourse shall not create any pledge over the Group’s assets.

RMB and Foreign Currency Loans

The RMB and foreign currency loan services shall be provided on normal commercial terms or better. The interest rates shall not be higher than the rates offered by other domestic commercial banks for comparable loan services. The loans shall not create any pledge over the Group’s assets.

Cash Management

The interest rates for the Group’s deposits with CEC Finance shall be provided on normal commercial terms or better. The interest rates shall not be lower than the rates offered by other domestic commercial banks for comparable deposit services. The deposits shall not create any pledge over the Group’s assets.

Other Financial Services

CEC Finance shall not charge any handling fees on cash management, bank acceptance bills collection, principal protected financial investments and money market funds services provided to the Group.

Other Terms and Conditions

Under the Financial Services Agreement, the Group shall utilise the financial services provided by CEC Finance on a non-exclusive basis. The Group may utilise the services provided by any third-party financial institutions during the term of the Financial Services Agreement. Prior to utilising the services provided by CEC Finance, the Group has the right to affirm that the terms of the services provided by CEC Finance are no worse than the terms of services provided by independent third parties through understanding of the market conditions. In the event that the terms of services provided by CEC Finance are no better than those provided by independent third parties, the Group has the right to choose not to utilise or cease to utilise the services provided by CEC Finance, without liability for any loss sustained by CEC Finance thereof. Moreover, apart from deposits with specified period, the Group may withdraw funds deposited with CEC Finance at any time, without liability for any loss sustained by CEC Finance thereof.

The Financial Services Agreement is subject to the approval of the Independent Shareholders and will take effect from 1 January 2018 to 31 December 2020 for a term of three years. Upon expiry of the Financial Services Agreement, the agreement may be renewed for a further term of three years if the parties so agree, subject to compliance of the applicable laws and regulations (including the Listing Rules).

The Financial Services Agreement will be terminated in the event that CEC Finance and its associates cease to be connected persons of the Group. The Financial Services Agreement may also be terminated upon 30-day prior written notice of either party.

To ensure that the transactions contemplated under the Financial Services Agreement are conducted on normal commercial terms, or on terms no less favorable than the terms available from independent third parties, the Group has adopted the following procedures to determine the prices and terms of the transactions. Before discounting bank acceptance bills without recourse to CEC Finance, seeking RMB and foreign currency loans from CEC Finance or making deposits with CEC Finance, the Group would obtain the discount rates and interest rates offered by two or three reputable domestic commercial banks which the Group has established business relationship and compare those with the discount rates and interest rates offered by CEC Finance. CEC Finance is one of a number of financial institutions which provide financial services to the Group. The Group may obtain financial services available from CEC Finance, and/or any other financial institutions, as it sees fit.

Internal Control

The utilisation of financial services offered by CEC Finance under the Financial Services Agreement will be subject to an internal approval process. In respect of any bank acceptance bills discounting services, RMB and foreign currency loan services or cash management services offered by CEC Finance to the Group, the Corporate Treasury team will review and determine the cash flow requirements on a weekly basis; obtain the discount rates and interest rates offered by two or three reputable domestic commercial banks which the Group has established business relationship; and compare those rates with the rates offered by CEC Finance. If the rates offered by CEC Finance are no less favorable than those available from independent third parties, the Corporate Treasurer of the Group will approve the utilisation of the financial services offered by CEC Finance pursuant to the Group's treasury policies.

The bank acceptance bills discounting without recourse services and the cash management services contemplated under the Financial Services Agreement will be subject to the annual review by the Company's internal audit team, external auditors and the Board (including the independent non-executive Directors). In particular, the Company's internal audit team will conduct annual review to check if the bank acceptance bills discounting without recourse services and the cash management services contemplated under the Financial Services Agreement are conducted in accordance with the terms of the Financial Services Agreement, on normal commercial terms, on terms no less favorable than the terms available from independent third parties, and they will not exceed their respective proposed caps under the Financial Services Agreement. The Board (including the independent non-executive Directors) will review the report from the Company's internal audit team and external auditors and confirm the above in the annual report of the Company.

Given the above, the Directors (other than the independent non-executive Directors, whose views will be rendered in a circular to be despatched to the Shareholders after considering the recommendations from the independent financial adviser) consider that there are appropriate internal controls and procedures in place to ensure that the transactions contemplated under the Financial Services Agreement will be conducted on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

Proposed Caps and the Basis of Determination

It is expected that for each of the years ending 31 December 2018, 31 December 2019 and 31 December 2020, the annual caps of the bank acceptance bills discounting without recourse and the cash management, will not exceed the following respective amounts and such amounts have been set as the proposed caps for the relevant continuing connected transactions contemplated under the Financial Services Agreement accordingly:

Type of transaction	For the year ending 31 December		
	2018	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)
Provision of bank acceptance bills discounting without recourse services by CEC Finance to the Group			
Annual caps of the bank acceptance bills discounting without recourse	7,000,000	7,000,000	7,000,000
Provision of cash management services by CEC Finance to the Group			
Maximum daily ending balance of deposits (together with the interests accrued thereon) maintained by the Group with CEC Finance.	200,000	200,000	200,000

In arriving at the above annual caps of the bank acceptance bills discounting without recourse services, the Company has made reference to the Group's historical data. During the period from 1 August 2016 to 31 July 2017, the Company had received bank acceptance bills totaling RMB6.9 billion which could be discounted without recourse. As the Company anticipates that its business turnover in the PRC will remain stable in the next three years, the proposed annual caps of the bank acceptance bills discounting without recourse services are set at RMB7 billion.

In arriving at the above caps for the provision of cash management services by CEC Finance, the Company has made reference to the Group's credit policy and its historical data. During the period from 1 August 2016 to 31 July 2017, the maximum amount of bank acceptance bills (which could be discounted without recourse) received by the Group on a single day was approximately RMB177 million. Taking into account of the Group's credit policy and its historical data, the Company set the proposed daily caps at RMB200 million.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FINANCIAL SERVICES AGREEMENT

CEC Finance is a non-bank financial institution approved and regulated by the PBOC and the CBRC. CEC Finance is permitted to provide various financial services such as deposit services, loan services, bills discounting services and investment services to the CEC Group. The entering of the Financial Services Agreement by the Company with CEC Finance is in pursuant to the Group's treasury policies, and the main reasons and benefits of entering into the Financial Services Agreement are as follows:

- (i) The discount rates on the bank acceptance bills discounting without recourse services offered by CEC Finance to the Group will be no less favourable than those offered by other domestic commercial banks.
- (ii) The interest rates on the RMB and foreign currency loan services and deposits offered by CEC Finance to the Group will be no less favourable than those offered by other domestic commercial banks.
- (iii) The financial services provided by CEC Finance will be utilised on a non-exclusive basis, and will provide the Group with the right and flexibility, which it may choose from different kinds of services to be provided by CEC Finance and secure additional and stable financing on favourable terms for its operational needs.
- (iv) CEC Finance is regulated by the PBOC and the CBRC and provides its services in accordance and in compliance with the rules and operational requirements of these regulatory authorities.

The Directors (other than the independent non-executive Directors, whose views will be rendered in a circular to be despatched to the Shareholders after considering the recommendations from the independent financial adviser) consider that the transactions contemplated under the Financial Services Agreement will be conducted on normal commercial terms (or better to the Group) and in the ordinary and usual course of business of the Group and that the transactions contemplated under the Financial Services Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

CEC, which is interested in approximately 37.05% of the issued share capital of the Company as at the date of this announcement, is the ultimate controlling shareholder of the Company and hence a connected person of the Company. CEC Finance, being a subsidiary of CEC, is also a connected person of the Company.

Pursuant to Rule 14A.90 of the Listing Rules, the RMB and foreign currency loan services contemplated under the Financial Services Agreement constitute financial assistance by CEC Finance to the Group, as they are for the benefit of the Group on normal commercial terms or better and are not secured by any assets of the Group, therefore, they are fully exempt from the requirements under Chapter 14A of the Listing Rules. As there are no handling fees charged by CEC Finance on the Other Financial Services contemplated under the Financial Services Agreement, they constitute de minimis transactions of the Company under Chapter 14A of the Listing Rules, and therefore, they are fully exempt from the requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the bank acceptance bills discounting without recourse services and the cash management services as contemplated under the Financial Services Agreement and more than 5%, they are subject to the announcement, independent shareholders' approval, annual review and reporting requirements under Chapter 14A of the Listing Rules.

SGM

The SGM will be convened to consider and, if thought fit, to approve the bank acceptance bills discounting without recourse services and the cash management services (including their respective proposed annual caps) as contemplated under the Financial Services Agreement. CEC and its associates shall abstain from voting at the SGM.

DESPATCH OF CIRCULAR

The Company expects that a circular containing, among other things, (i) further information on the bank acceptance bills discounting without recourse services and the cash management services (including their respective proposed annual caps) as contemplated under the Financial Services Agreement, (ii) the recommendation from the Independent Board Committee to the Independent Shareholders, (iii) the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, and (iv) the notice of SGM, will be published and issued by the Company and despatched to the Shareholders on or before 20 November 2017.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders, and Altus Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the bank acceptance bills discounting without recourse services and the cash management services (including their respective proposed annual caps) as contemplated under the Financial Services Agreement.

GENERAL INFORMATION

The Company

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

The Company 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.

The Company 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 licensed Philips monitors, TVs, mobile phones and tablets products in most regions worldwide.

CEC Finance

CEC Finance is a non-bank financial institution approved and regulated by the PBOC and the CBRC. CEC Finance is permitted to provide various financial services such as deposit services, loan services, bills discounting services and investment services to the CEC Group.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Financial Services Agreement”	the financial services agreement dated 30 October 2017 entered into between the Company and CEC Finance
“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“CBRC”	China Banking Regulatory Commission
“CEC”	中國電子信息產業集團有限公司 (China Electronics Corporation Limited*), a state-owned enterprise established under the laws of the PRC and the ultimate controlling shareholder of the Company
“CEC Finance”	中國電子財務有限責任公司 (China Electronics Financial Co., Ltd.*), a company established under the laws of the PRC, and is a subsidiary of CEC
“CEC Group”	CEC and its subsidiaries (including the Group)
“Company”	TPV Technology Limited, a company incorporated in Bermuda with limited liability (Stock code: 903)
“connected person”	has the meaning ascribed to this term under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Independent Board Committee”	the committee of Directors consisting of Mr Chan Boon Teong, Dr Ku Chia-Tai and Mr Wong Chi Keung, being all independent non-executive Directors, formed to advise the Independent Shareholders in respect of the transactions contemplated under the Financial Services Agreement
“Independent Shareholders”	shareholders of the Company (other than CEC and its associates)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PBOC”	the People’s Bank of China
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC

“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, to approve the bank acceptance bills discounting without recourse services and the cash management services (including their respective proposed annual caps) as contemplated under the Financial Services Agreement
“Share(s)”	the ordinary share(s) of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“US\$”	United States dollar, the lawful currency of the United States of America
“%”	per cent.

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

For ease of reference only, the names of PRC established companies and entities have been included in this announcement in both Chinese and English and the English names of these companies and entities are either English translations of their respective official Chinese names or English trade names used by them. In the event of any inconsistency between the English names and their respective Chinese names, the Chinese names shall prevail.

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

Hong Kong, 30 October 2017

As at the date of this announcement, the Board of the Company comprises one executive director, namely Dr Hsuan, Jason, and five non-executive directors, namely Mr Yang Jun, Mr Zhu Lifeng, Dr Li Jun, Ms Jia Haiying and Ms Bi Xianghui and three independent non-executive directors, namely Mr Chan Boon Teong, Dr Ku Chia-Tai and Mr Wong Chi Keung.