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**Potevio**

**中国普天**

**成都普天電纜股份有限公司**

**CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED\***

*(a sino-foreign joint stock limited company incorporated in the People's Republic of China)*

(Stock Code: 1202)

**CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO  
THE POTEVIO MASTER FRAMEWORK AGREEMENT**

**Independent Financial Adviser to  
the Independent Board Committee and the Independent Shareholders**



**THE POTEVIO MASTER FRAMEWORK AGREEMENT**

Reference is made to the announcements of Chengdu Putian Telecommunications Cable Company Limited (the “Company”) dated 25 September 2015 and 29 April 2016. On 24 May 2017, the Company entered into the Potevio Master Framework Agreement for a term of two years commencing from 1 January 2018, in respect of (i) the sale of certain wire, cables, optical fibers, telecommunication components and parts, from the Group to Potevio Group; and (ii) the purchase of electrical products, lighting products, piping products and smart products from Potevio Group.

**LISTING RULES IMPLICATIONS**

As at the date of this announcement, 中國普天信息產業集團公司 (China PUTIAN Corporation\*) is the controlling shareholder of China Potevio, which in turn is the controlling shareholder of the Company holding 60% equity interest in the Company. Therefore, China Potevio and Potevio Group are connected persons of the Company and transactions between the Group and each of China Potevio and Potevio Group constitute connected transactions of the Company under Chapter 14A of the Listing Rules. The Continuing Connected Transactions with Potevio Group whose applicable percentage ratios that exceed 5% and the annual consideration of the Continuing Connected Transactions under each of the Potevio Master Framework Agreement is expected to exceed HK\$10,000,000 are subject to the reporting, annual review, announcement, and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Independent Shareholders need to approve the Continuing Connected Transactions with Potevio Group at the proposed upcoming AGM.

## **GENERAL**

An Independent Board Committee (comprising all independent non-executive Directors) has been established to advise the Independent Shareholders as to whether the Continuing Connected Transactions are in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. An independent financial adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on matters in relation to the Continuing Connected Transactions with Potevio Group in accordance with the Listing Rules.

A circular containing, among other things, (i) the information relating to the Continuing Connected Transactions with Potevio Group; (ii) the advice from the Independent Board Committee to the Independent Shareholders in respect of the Continuing Connected Transactions with Potevio Group; (iii) the letter of advice from an independent financial adviser to the Independent Board Committee in respect of the Continuing Connected Transactions with Potevio Group; and (iv) a supplementary notice of the AGM to be convened for the Independent Shareholders, to approve the transactions contemplated under the Potevio Master Framework with Potevio Group, is expected to be despatched to the Shareholders as soon as practicable.

## **THE POTEVIO MASTER FRAMEWORK AGREEMENT**

On 24 May 2017, the Company entered into the Potevio Master Framework for a term of two years commencing from 1 January 2018, in respect of (i) the sale of certain wire, cables, optical fibers, telecommunication components and parts, from the Group to Potevio Group; and (ii) the purchase of electrical products, lighting products, piping products and smart products from Potevio Group.

## **SALES TO THE POTEVIO GROUP**

The principal terms of the Sales to Potevio Group under the Potevio Master Framework Agreement are as follows:

Date	:	24 May 2017
Parties	:	The Company and 中國普天信息產業集團公司 (China PUTIAN Corporation*)
Subject matter	:	The Group shall supply wire, cables, optical fibers, telecommunication components and parts to Potevio Group based on the requirements and demands of Potevio Group from time to time during the tenure of the Potevio Master Framework

- Tenure : 1 January 2018 to 31 December 2019
- Conditions precedent : (i) approval by the independent shareholders of the Company and the Stock Exchange; and
- (ii) in the event that the above condition precedent cannot be fulfilled, the Potevio Master Framework Agreement will be terminated.

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

The sale transactions under the Potevio Master Framework Agreement will be conducted in ordinary and usual course of business and on normal commercial terms and such terms and conditions shall be negotiated on an arm's length basis and will be no less favorable than those available from independent third parties of the Group.

The selling prices of the wire, cables, optical fibers, telecommunication components and parts sold by the Group to the Potevio Group are not fixed and to be determined in accordance with prevailing market prices that is comparable to the price offered by the Group to its other independent customers with similar transaction volume and to be agreed between the parties. To ensure the selling price and payment terms are not less favourable than the market standard, the Group will generally compare the average selling price of its products sold, the relevant payment terms offered to Potevio Group and the independent third parties of the Group or at least three relevant quotations obtained in the market on a monthly basis. The Group will review the selling price and payment terms offered of every transaction with Potevio Group to ensure all transactions with Potevio Group will comply with the terms of the Potevio Master Framework Agreement.

### **Annual caps and basis of determination**

The table below sets out the existing annual caps, the historical amounts and the proposed annual caps of the sales to Potevio Group under the Potevio Master Framework Agreement:

	<b>Historical amounts for the years ended 31 December (in RMB million)</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
The existing annual caps	150.0	350.0	325.0
The historical amounts	127.7	151.6	8.3 <sup>Note</sup>

*Note:* the amount is data for the 4 months ended 30 April 2017.

**Proposed annual caps for  
the years ending  
31 December  
(in RMB million)**

**2018                      2019**

The proposed annual caps	170.0	200.0
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The proposed annual caps of the sales transaction under the Potevio Master Framework Agreement have been worked out with reference to the following factors:

- (i) the historical amount of relevant transaction with the Potevio Group from the year ended 31 December 2015 to 2016;
- (ii) the expected need of the Potevio Group for optical fiber, optical cable, feeder and ancillary products from the Group;
- (iii) the forecast production volume for optical fiber, optical cable, feeder and ancillary products of the Group;
- (iv) the expected price to be charged by the Group for optical fiber, optical cable, feeder and ancillary products; and
- (v) as for the disposal of certain shares in Putian Fasten Cable Telecommunication Co. Ltd\* (普天法爾勝光通信有限公司), a company principally engaged in the manufacture of optical fiber, optical cable and ancillary products, its financial results ceased to be consolidated into the Group's consolidated financial statements.

**Reasons for and the benefit**

Potevio Group is a central stated-owned enterprise in the PRC comprising multiple subsidiaries and associates which service regional major telecommunications operators by supplying a full suite of fixed and mobile communication products and services. As a result, the subsidiaries and associates of Potevio Group have built a good working relationship with the regional telecommunications operators over the years. Therefore, by supplying the Group's products to Potevio Group, the Group is capable of selling its products to customers whom they would otherwise have difficulty in accessing directly due to the high requirements to become eligible to submit tenders for large scale supplying contracts. The Group can also enhance the image of its products by expanding its customer base to include major telecommunications operators.

## **INTERNAL CONTROL MEASURES**

### **Internal Control Measures**

In order to secure the Shareholders' interests and ensure the terms of the Potevio Master Framework Agreement and the transactions contemplated thereunder and the Annual Caps are on normal commercial terms or terms not more favourable than those available to independent third parties, the Company has adopted the following internal control measures:

- (i) all the orders under the Potevio Master Framework Agreement will be reviewed and approved by the legal and audit supervisory department and the relevant department of the Group to ensure the terms of the orders are in compliance with the Potevio Master Framework Agreement;
- (ii) the relevant department of the Group will review the price and payment terms of every transaction under the Potevio Master Framework Agreement by comparing the average price of its products and the relevant payment terms offered to Potevio Group and the independent third parties of the Group with at least three relevant quotations obtained in the market on a monthly basis;
- (iii) the Group will not sell or buy any products under Potevio Master Framework Agreement if the selling price is less favourable than those offered to independent third parties;
- (iv) the investment management department of the Group will monitor the Annual Caps on a monthly basis to ensure the Annual Caps will not be exceeded; and
- (v) the independent non-executive Directors and the external auditors of our Group will continue to review the transactions contemplated under the Potevio Master Framework Agreement and the Annual Cap annually.

### **PURCHASE FROM THE POTEVIO GROUP**

The principal terms of the purchase from the Potevio Group under the Potevio Master Framework Agreement are as follows:

- Date : 24 May 2017
- Parties : The Company and 中國普天信息產業集團公司 (China PUTIAN Corporation\*)
- Subject matter : Potevio Group shall supply electrical products, lighting products, piping products and smart products to the Group based on the requirements and demands of the Group from time to time during the tenure of the Potevio Master Framework Agreement

- Tenure : 1 January 2018 to 31 December 2019
- Conditions precedent : (i) approval by the independent shareholders of the Group and the Stock Exchange; and
- (ii) in the event that the above condition precedent cannot be fulfilled, the Potevio Master Framework Agreement will be terminated.

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

The purchase transactions under the Potevio Master Framework Agreement will be conducted in ordinary and usual course of business and on normal commercial terms and such terms and conditions shall be negotiated on an arm's length basis and will be no less favorable than those available to independent third parties of the Group.

The purchase prices of the electrical products, lighting products, piping products and smart products sold to the Group by Potevio Group are not fixed and to be determined in accordance with prevailing market prices that is comparable to the price offered to the Group to its other independent supplier with similar transaction volume and to be agreed between the parties. To ensure the selling price and payment terms are not less favourable than the market standard, the Group will generally compare the average purchase price of its products purchased, the relevant payment terms offered by Potevio Group and the independent third parties of the Group or at least three relevant quotations obtained in the market on a monthly basis. The Group will review the purchase price and payment terms offered of every transaction with Potevio Group to ensure all transactions with Potevio Group will comply with the terms of the Potevio Master Framework Agreement.

## Annual caps and basis of determination

The table below sets out the existing annual caps, the historical amounts and the proposed annual caps of the purchase from Potevio Group under the Potevio Master Framework Agreement:

	<b>Historical amounts for the years ended 31 December (in RMB million)</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
The existing annual caps	N/A	40.0	90.0
The historical amounts	N/A	24.1	7.9 <sup>Note</sup>

  

	<b>Proposed annual caps for the years ending 31 December (in RMB million)</b>	
	<b>2018</b>	<b>2019</b>
The proposed annual caps	140.0	160.0

*Note:* the amount is data for the 4 months ended 30 April 2017.

The proposed annual caps of the purchase transaction under the Potevio Master Framework Agreement have been worked out with reference to the following factors:

- (i) the historical amount of the relevant sales of Potevio Group for the year ended 31 December 2016 and 2017;
- (ii) the expected need for electrical products, lighting products, piping products and smart products from the Company will increase significantly due to the promotion of domestic infrastructure in the southwest region of the PRC;
- (iii) a buffer for any unanticipated fluctuations in forecast.

## **Reasons for and the benefit**

As Potevio Group is a leader in providing electrical products, lighting products, piping products and smart products in the PRC, the Group intends to purchase from Potevio Group and resell its products as the sole distributor of Potevio Group in the southwest region of the PRC. Potevio Group is committed to designing and manufacturing innovative photoelectrical products and technologies, and as such the Group benefits from the potential expansion of client base and product variety by purchasing from and distributing for Potevio Group. Furthermore, as the demand of certain electrical products, lighting products, piping products and smart products in the PRC is higher than the supply available, the purchase of certain electrical products, lighting products, piping products and smart products from Potevio Group, whom has established an extensive domestic distribution network, can ensure stable supply of certain electrical products, lighting products, piping products and smart products to the Group.

## **INTERNAL CONTROL MEASURES**

### **Internal Control Measures**

In order to secure the Shareholders' interests and ensure the terms of the Potevio Master Framework Agreement and the transactions contemplated thereunder and the Annual Caps are on normal commercial terms or terms not more favourable than those available to independent third parties, the Company has adopted the following internal control measures:

- (i) all the orders under the Potevio Master Framework Agreement will be reviewed and approved by the legal and audit supervisory department and the relevant department of the Group to ensure the terms of the orders are in compliance with the Potevio Master Framework Agreement;
- (ii) the relevant department of the Group will review the price and payment terms of every transaction under the Potevio Master Framework Agreement by comparing the average price of its products and the relevant payment terms offered to Potevio Group and the independent third parties of the Group with at least three relevant quotations obtained in the market on a monthly basis;
- (iii) the Group will not sell or buy any products under Potevio Master Framework Agreement if the selling price is less favourable than those offered to independent third parties;
- (iv) the investment management department of the Group will monitor the Annual Caps on a monthly basis to ensure the Annual Caps will not be exceeded; and
- (v) the independent non-executive Directors and the external auditors of our Group will continue to review the transactions contemplated under the Potevio Master Framework Agreement and the Annual Cap annually.

## LISTING RULES IMPLICATIONS

China PUTIAN Corporation (中國普天信息產業集團公司) is the controlling shareholder of China Potevio, who in turn is the controlling shareholder of the Company, holding 60% equity interest in the Company. Therefore, China Potevio and Potevio Group are connected persons of the Group and transactions between the Group and each of China Potevio and Potevio Group constitute connected transactions of the Company. As at the date of this announcement, 中國普天信息產業集團公司 (China PUTIAN Corporation\*) is the controlling shareholder of China Potevio, which in turn is the controlling shareholder of the Company holding 60% equity interest in the Company. Therefore, The Continuing Connected Transactions with Potevio Group whose applicable percentage ratios that exceed 5% and the annual consideration of the Continuing Connected Transactions under each of the Potevio Master Framework Agreement is expected to exceed HK\$10,000,000 are subject to the reporting, annual review, announcement, and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Due to conflict of interests, Mr. Zhang Xiaocheng who is a director of subsidiaries in Potevio Group, namely Eastern Communications Co., Ltd. (東方通信股份有限公司) and Shanghai Potevio Co., Ltd. (上海普天郵通科技股份有限公司), Mr. Wang Micheng who is a director of subsidiaries in Potevio Group, namely Hangzhou HONYAR Electrical Co., Ltd. (杭州鴻雁電器有限公司) and Putian Intelligent Lighting Research Institute Co., Ltd. (普天智能照明研究院有限公司), Mr. Han Shu who is a director of a subsidiary in Potevio Group, namely Nanjing Putian Telecommunications Co., Ltd.(南京普天通信股份有限公司), Ms. Liu Yun who is a director of subsidiaries in Potevio Group, namely Shanghai Putian Kechuang Electronics Co., Ltd. (上海普天科創電子有限公司), Puxing Mobile Tech Company Limited (普興移動通訊設備有限公司), Hangzhou HONYAR Electrical Co., Ltd. (杭州鴻雁電器有限公司) and Putian Logistics Technology Co., Ltd (普天物流技術有限公司), Ms. Xu Liying who a supervisor of subsidiaries in Potevio Group, namely Beijing Putian Taili Telecommunications Technology Co., Ltd. (北京普天太力通信科技有限公司), Beijing Capital Co., Ltd (北京首信股份有限公司) and Hangzhou HONYAR Electrical Co., Ltd (杭州鴻雁電器有限公司) and Mr. Fan Xu who is a director of subsidiaries in Potevio Group, namely Beijing PUTIAN Investment Management Company Limited (北京普天聯創投資管理有限公司) and China Potevio PolyPay Co., Ltd. (普天銀通支付有限公司) have abstained from voting on the Board resolution approving the Continuing Connected Transactions with Potevio Group. Save as disclosed above, no other Director has abstained from voting on the Board resolution approving the Continuing Connected Transaction and the Board has resolved to approve the Continuing Connected Transaction.

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice of the independent financial adviser to the Company's Independent Board Committee and the Independent Shareholders) are of the view that the Continuing Connected Transactions are entered into in the ordinary and usual course of business of the Group, fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

The Board has approved to submit the Potevio Master Framework Agreement to the Independent Shareholders at the AGM to consider and, if thought fit, approve the transactions contemplated thereunder. Potevio Group and its associates will abstain from voting on the resolutions to be proposed at the AGM in relation to the Potevio Master Framework Agreement.

An Independent Board Committee (comprising all independent non-executive Directors) has been established to advise the Independent Shareholders as to whether the Continuing Connected Transactions are in the ordinary and usual course of business of the Group on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Company has appointed Gram Capital as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on matters in relation to the Continuing Connected Transactions with Potevio Group.

A circular containing, among other things, (i) the information relating to the Continuing Connected Transactions with Potevio Group, (ii) the advice from the Independent Board Committee to the Independent Shareholders in respect of the Potevio Master Framework Agreement and the transactions contemplated thereunder, (iii) the letter of advice from Gram Capital to the Independent Board Committee and Independent Shareholder in respect of the Potevio Master Framework Agreement and the transactions contemplated thereunder, and (iv) a supplementary notice of the AGM to be convened for the Independent Shareholders, to approve the transactions contemplated under the Potevio Master Framework with Potevio Group, is expected to be despatched to the Shareholders as soon as practicable.

## **GENERAL**

The Group is principally engaged in the manufacture and sale of various types of telecommunication cables, optical fibers and cable joining sleeves.

China Potevio and China PUTIAN Corporation are central state-owned enterprises primarily engaged in the manufacture, trading and research and services in relevant technology of information telecommunication products; the scope of business includes information communications, photoelectricity, industrial information, e-finance and new energy property bases.

## **DEFINITIONS**

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

“AGM”	the annual general meeting of the Company to be convened on Friday, 23 June 2017 and held for the purpose of considering and, if thought fit, approving, among other things, the Continuing Connected Transactions occurred with Potevio Group under the Potevio Framework Sales Agreement
“associate(s)”	has the meanings ascribed to it under the Listing Rules

“Board”	the board of Directors
“Business Day”	a day (other than a Saturday or Sunday) on which licensed banks are open for business in the PRC
“China Potevio”	中國普天信息產業股份有限公司 (China Potevio Company Limited*), a company incorporated in the PRC with limited liability and the controlling shareholder of the Company, is a central state-owned enterprise and a wholly-owned subsidiary of 中國普天信息產業集團公司 (China PUTIAN Corporation*)
“Company”	成都普天電纜股份有限公司 (Chengdu PUTIAN Telecommunications Cable Company Limited*), a sino-foreign joint stock company incorporated in the PRC with limited liability, whose issued Shares are listed on the main board of the Stock Exchange
“connected person(s)”	has the meanings ascribed to it under the Listing Rules
“Continuing Connected Transactions”	the continuing connected transactions of the Group that occurred with Potevio Group pursuant to the Potevio Master Framework Agreement
“controlling shareholder(s)”	has the meanings ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary shares of the capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB
“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas-listed foreign shares in the ordinary share capital of the Company, with a RMB denominated par value of RMB1.00 each
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC

“Independent Board Committee”	an independent committee of the Board comprising Mr. Choy Sze Chung, Jojo, Mr. Lin Zulun and Mr. Xiao Xiaozhou (being all independent non-executive Directors) to advise the Independent Shareholders in respect of the Continuing Connected Transactions
“Independent Shareholders”	any Shareholders, other than those Shareholders, if any, with a material interest in the Continuing Connected Transactions
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Potevio Group”	中國普天信息產業集團公司 (China PUTIAN Corporation*) and its subsidiaries but excluding the Group
“Potevio Master Framework Agreement”	the agreement entered into between the Company and 中國普天信息產業集團公司 (China PUTIAN Corporation*) on 24 May 2017, pursuant to which (i) the Group has agreed to supply wire, cables, optical fibers, telecommunication components and parts to the Potevio Group based on the requirements and demands of the Potevio Group and (ii) Potevio Group has agreed to supply electrical products, lighting products, piping products and smart products to the Group based on the requirements and demands of the Group from time to time from 1 January 2018 to 31 December 2019
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	Domestic Share(s) and/or H Share(s)
“Shareholder(s)”	holders of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meanings ascribed to it under the Listing Rules
“%”	per cent.

By order of the Board  
**Chengdu Putian Telecommunications Cable Company Limited\***  
**Zhang Xiaocheng**  
*Chairman*

Chengdu, the PRC, 24 May 2017

As at the date of this announcement, the Board of the Company comprises:

Executive Directors:                      Mr. Zhang Xiaocheng (*Chairman*)  
   Mr. Wang Micheng  
   Ms. Liu Yun  
   Mr. Han Shu  
   Ms. Xu Liying  
   Mr. Fan Xu

Independent Non-executive Directors:    Mr. Choy Sze Chung, Jojo  
   Mr. Xiao Xiaozhou  
   Mr. Lin Zulun

\* *For identification purposes only*