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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)

ANNOUNCEMENT

INTERNAL CONTROL FOLLOW-UP REVIEW

References are made to the announcement of Chengdu PUTIAN Telecommunications Cable Company Limited (the “**Company**”) dated 17 September 2018 (the “**Announcement**”). Terms used in this announcement shall have the same meanings as defined in the Announcement unless the context requires otherwise.

The Internal Control Review Report I was submitted to the Stock Exchange on 5 September 2018. As confirmed by the Directors, all the findings and recommendations were agreed by the Directors and Management. The Directors and Management also confirmed that they would fully implement Gram Capital’s recommendations to strengthen and enhance the Company’s internal control system. By fully implementation of Gram Capital’s recommendations as listed out in Internal Control Review Report I, the Group will further enhance its internal controls and address the Material Deficiencies. Furthermore, the Company believes that by adopting the recommendations in the Internal Control Review Report I, the Directors and management would be able to improve corporate governance within the Company and ensure the Company’s compliance with the Listing Rules.

THE INTERNAL CONTROL REVIEW REPORT II

Gram Capital conducted a follow-up review based on the Internal Control Review Report I. The Internal Control Review Report II had been submitted to the Stock Exchange.

As stated in the Internal Control Review Report II, the objective is to review whether the Company implemented the recommendations proposed by Gram Capital in the Internal Control Review Report I.

Based on the results of Gram Capital’s review, Gram Capital considered that the Company has adopted all Gram Capital’s recommendations and made enhancement on the Company’s internal control and compliance systems.

Details of the findings on the Company's progress of the implementation of the recommendations proposed by Gram Capital in the Internal Control Review Report I are set out as follows:

Recommendations in Internal Control Review Report I

- The Company, in particular, the department which is responsible for internal control system/manual review, is reminded to conduct a review at least annually on the effectiveness of internal control manual and to update the same as if necessary. The remark on version of internal control manual should be updated upon the Board reviewing.
- All transactions with transaction/contract amount more than RMB500,000 should be executed subject to prior examination by Finance Department on percentage ratios (as defined in Rule 14.04(9) of the Listing Rules) and (if appropriate) Office of the Board of Directors & Supervisors regarding the possible Listing Rules implication with following steps:

If agreement regarding Proposed transaction is submitted through Office Automation System, relevant staff will start from step (iii), otherwise, the approval procedure should be start from (i). Details of Gram Capital's recommended reporting flow are set out in Appendix IV to Internal Control Review Report I.

- (i) the form for proposed transaction as contained in Appendix V(i) to Internal Control Review Report I (the "**Preliminary Transaction Form**") should be filled out by the initiating staff each time for any proposed transaction (including acquisition/disposal of assets/company, provision/acceptance of services) and advance with monetary value over RMB500,000 or cumulative annual monetary value over RMB500,000 (e.g. entering into tenancy agreement). Such form should then be passed to relevant department head.

Implementation progress

- 審計監察法務部 (Internal Audit, Supervision & Legal Department*) or any department otherwise authorised by board of Director will be responsible for internal control system/manual review.

The Company shall continuously fully comply with the recommendation.

- The Company revised internal control manual according to the recommendations. The Company also improved Office Automation System.

Gram Capital selected three contracts entered into between the Company or its subsidiaries with the counterparties being not connected persons between 5 September 2018 (being the date of Internal Control Review Report I) and 30 November 2018 on a random basis. According to system records which shows the approval procedures of such selected contracts, Gram Capital found that the Company had followed recommended procedures.

審計監察法務部 (Internal Audit, Supervision & Legal Department*) will, under the supervision of the working group, check the effectiveness of the reporting flow/approval procedures on a quarterly basis.

The Company shall continuously fully comply with the recommendation.

Recommendations in Internal Control Review Report I

Implementation progress

- (ii) After reviewing the Preliminary Transaction Form, the department head should circulate the Preliminary Transaction Form to Finance Department for his/her further action (i.e. assess size of proposed transactions). If such form is initiated by staff in subsidiary of the Company, the department head of the subsidiary should report to general manager of the subsidiary. The general manager should then circulate the Preliminary Transaction Form to Finance Department for his/her further action (i.e. assess size of proposed transactions).
- (iii) After receiving the Preliminary Transaction Form or receiving notification from Office Automation System, Finance Department should assess the size of proposed transaction. If the highest percentage ratio (as defined in Rule 14.04(9) of the Listing Rules) equals to or exceeds 4%, Finance Department would notify Office of the Board of Directors & Supervisors and pass the Preliminary Transaction Form together with results of percentage ratio to the department.
- (iv) After receiving the notification from Finance Department or receiving notification from Office Automation System, Office of the Board of Directors & Supervisors should fill in the transaction assessment form as contained in Appendix V(ii) to Internal Control Review Report I (the “**Transaction Assessment Form**”) and assess the notifiable/connected transaction implication with company secretary’s assistance.
- (v) To facilitate timely completion of the Transaction Assessment Form, responsible staff were recommended to update the size tests calculation at least bi-weekly based on the updated financial information and size of market capitalisation of the Company.

Recommendations in Internal Control Review Report I

Implementation progress

- (vi) The Transaction Assessment Form should be completed and (i) passed to Chairman/ Vice Chairman within one day of receipt of the relevant Preliminary Transaction Form; and (ii) kept by the Company for record for at least three years.
 - (vii) In the event that, based on the completed Transaction Assessment Form, the subject transaction constitutes notifiable/non-fully exempted connected transactions for the Company, Office of the Board of Directors & Supervisors should provide such form for board of directors' discussion.
 - (viii) With the assistance of professional parties, company secretary and/or Office of the Board of Directors & Supervisors should complete the transaction procedure form as contained in Appendix V(iii) to Internal Control Review Report I (the "**Transaction Procedure Form**") and discuss the same with the Board.
 - (ix) After due consideration, the Board should direct company secretary and/or Office of the Board of Directors & Supervisors to take necessary actions as set out under the Transaction Procedure Form for the subject transaction.
- In addition to the quarterly update of the connected persons list, the list should also be updated when there is a new appointment of director or senior management of the Company and/or its subsidiaries. The list should be circulated to all staffs of the Group. The database regarding connected person identities should also be updated on the aforesaid frequency.
 - As the connected persons list/database is very important, the Company is advised to consult its professional parties and company secretary when prepare/update the list/database or assess identity of new client/supplier.
 - The Company appointed a new independent non-executive Director on 13 November 2018 and two new executive Director on 22 November 2018 respectively. The Management, with the company secretary's and professional party's assistances, updated the connected person list. As confirmed by the Management, the database was also updated.
 - The Company sought company secretary's and professional party's advice when updating connected persons list.
- The Company shall continuously fully comply with the recommendation.

Recommendations in Internal Control Review Report I

- All transactions (regardless of amount) with connected persons as shown in the abovementioned connected persons list should be executed subject to prior examination by Office of the Board of Directors & Supervisors with steps as mentioned in sub-section headed “1. Notifiable transaction” above. Details of Gram Capital’s recommended reporting flow are set out in Appendix VI to Internal Control Review Report I.

- Data relating to continuing connected transactions of the Company (including quarterly transaction amounts and cumulative amounts) should be reported by head of relevant department of the Company and/or general manager of subsidiary and reviewed on a monthly basis by Finance Department. If the transaction amount reaches 60% of the annual caps at any point of the year, the relevant department of the Company and/or general manager of subsidiary should notify the finance department for each of the next individual transaction to ensure the annual caps will not be exceeded.
- The reporting flow chart should reflect procedures regarding proposed agreement (regardless of amount) with identified connected person.

Implementation progress

- The Company revised internal control manual according to the recommendations. The Company also improved Office Automation System.

Since 5 September 2018 (being the date of Internal Control Review Report I) to 30 November 2018, the Company entered into one contract with an identified connected person and proposed to enter into a contract with another identified connected person. Gram Capital obtained aforesaid two contracts. According to system records which shows the approval procedures of such contracts, Gram Capital found that the Company had followed recommended procedures.

審計監察法務部 (Internal Audit, Supervision & Legal Department*) will, under the supervision of the working group, check the effectiveness of the reporting flow/approval procedures on a quarterly basis.

The Company shall continuously fully comply with the recommendation.

- Gram Capital received lists showing transaction amounts of the Company’s continuing connected transactions for (i) nine months ended 30 September 2018 (ii) ten months ended 31 October 2018; and (iii) 11 months ended 30 November 2018. According to the lists, the transaction amounts did not reach 60% of the annual caps. As confirmed by the Management, the aforesaid lists were prepared and reviewed by Finance Department.

The Company shall continuously fully comply with the recommendation.

- The report flow as contained in the revised internal control manual reflected procedures regarding proposed agreement (regardless of amount) with identified connected person.

Recommendations in Internal Control Review Report I

- The Directors and Management were recommended to attend more Listing Rules training to strengthen their understanding on the Listing Rules, in particular Chapter 13, Chapter 14 and Chapter 14A of the Listing Rules.
- As the general manager of the Company's subsidiary will be responsible for the reporting and circulate the Preliminary Transaction Form to Office of the Board of Directors & Supervisors, all general manager(s) should also attend trainings regarding the Listing Rules for at least five hours per year.
- Office of the Board of Directors & Supervisors was recommended to obtain written confirmation for the receipt of updated guidance and IC manual by the Directors, Management and general manager of subsidiaries

Implementation progress

- The Company notified its legal adviser, the Company's proposed training service provider, that the Directors and Management would attend more Listing Rules training courses, in particular, courses relating Chapter 13, Chapter 14 and Chapter 14A of the Listing Rules.

As confirmed by the Management, all Directors and Management will participate the above mentioned courses in 2019.

The Company shall continuously fully comply with the recommendation.

- The Company notified its legal adviser, the Company's proposed training service provider, that the Directors and Management would attend more Listing Rules training courses, in particular, courses relating Chapter 13, Chapter 14 and Chapter 14A of the Listing Rules.

As confirmed by the Management, all general managers will participate the above mentioned courses in 2019 with minimum course hours as recommended by Gram Capital.

The Company shall continuously fully comply with the recommendation.

- The Management is in the progress of obtaining written confirmation from the Directors, Management and general manager of subsidiaries regarding the receipt of latest IC manual.

The Company shall fully comply with the recommendation.

Recommendations in Internal Control Review Report I

- To strengthen manpower allocation for Listing Rules compliance function.

To establish 上市規則監察工作小組 (Working Group dedicated to Listing Rules Monitoring*, the “**Working Group**”), which should constitute, at least, Chairman, general manager of the Company, staff of Office of the Board of Directors & Supervisors, staff of 審計監察法務部 (Internal Audit, Supervision & Legal Department*), staff of Finance Department, general manager of each of the Company’s subsidiary. The Working Group would be mainly focused on supervision of the Group’s Listing Rules compliance issues.

The senior staff of the Working Group must take no less than 10 hours of relevant professional training regarding Listing Rules per annum, other staff of the Working Group must take no less than 5 hours of the abovementioned professional training per annum.

The Directors, general manager(s) of subsidiaries must ensure that the internal control manual for transactions would be strictly followed. Warnings/disciplinary actions should be given to the staff who does not follow the internal control manual.

- The Company was recommended to prepare a checklist on Appendix 14 to check if any provision was not complied with and make proper disclosure.

Implementation progress

- The Company established 上市規則檢查小組 on 25 October 2018. The working group was responsible for supervision of the Group’s Listing Rules compliance issues.

The working group was responsible for the supervision of the Group’s Listing Rules compliance issues.

Members of the working group were based on Gram Capital’s recommendations, as well as the current composition of the Board and Management team.

The Company notified its legal adviser, the Company’s proposed training service provider, that the Directors and Management would attend more Listing Rules training courses, in particular, courses relating Chapter 13, Chapter 14 and Chapter 14A of the Listing Rules.

As confirmed by the Management, members of working group will participate the above mentioned courses in 2019 with minimum course hours as recommended by Gram Capital.

The Company shall continuously fully comply with the recommendation.

- The Management prepared a checklist regarding corporate governance and would check if any provision was not complied with and make proper disclosure for preparation of corporate governance reports.

**Recommendations in Internal Control
Review Report I**

- The Office of the Board of Directors & Supervisors should be responsible for identifying any Listing Rules changes and then circulate the updated information on the Listing Rules to all Directors and Management by Office Automation System/emails.

- The Company was recommended to prepare a checklist on at least Appendix 16 to the Listing Rules to check if any provision was not complied with and make proper disclosure.

Implementation progress

- The Office of the Board of Directors & Supervisors would be responsible for identifying any Listing Rules changes and then circulate the updated information on the Listing Rules to all Directors and Management by Office Automation System/emails.

According to “Amendments to Main Board Listing Rules” as published by the Stock Exchange, the latest announced Listing Rules amendments/updates was Update No. 122, which dated August 2018.

The Company shall continuously fully comply with the recommendation.

- The Management prepared checklists regarding financial disclosure requirements for interim/annual results announcement and interim/annual report and would check the contents of such report/results announcement was complied with.

By Order of the Board
Chengdu PUTIAN Telecommunications Cable Company Limited
Wu Changlin
Chairman

Chengdu, the PRC, 13 December 2018

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

Executive Directors: Mr. Wu Changlin
Mr. Hu Jiangbing
Mr. Wang Micheng
Mr. Han Shu
Ms. Xu Liying
Ms. Liu Yun

*Independent non-executive
Directors:* Ms. Mao Yaping
Mr. Xiao Xiaozhou
Mr. Feng Gang

* *For identification purposes only*