

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 TRANSACTION IN RELATION TO THE SUMITOMO FRAMEWORK PURCHASE AGREEMENT

On 20 December 2018, the Company entered into the Sumitomo Framework Purchase Agreement for a term of one year commencing from 1 January 2019, in respect of the purchase of optical fiber preform and paints and related equipment and spare parts and the subscription for related technical services by the Group from Sumitomo Electric Group.

As Sumitomo Electric is a substantial shareholder of a non-wholly owned subsidiary of the Group, Sumitomo Electric is a connected person of the Group at the subsidiary level under the Listing Rules.

As the Directors have approved the Continuing Connected Transaction and the independent non-executive Directors have confirmed that the terms of such transaction is fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole, the Sumitomo Framework Purchase Agreement and the relevant annual cap are only subject to the reporting and announcement requirements but are exempted from independent shareholders' approval, pursuant to Rule 14A.101 of the Listing Rules.

BACKGROUND

On 20 December 2018, the Company entered into the Sumitomo Framework Purchase Agreement for a term of one year commencing from 1 January 2019, in respect of the purchase of optical fiber preform, paints and related equipment and spare parts and subscription for related technical services by the Group from Sumitomo Electric Group.

The principal terms of the Sumitomo Framework Purchase Agreement are as follows:

Date: 20 December 2018

Parties: The Company and Sumitomo Electric

Subject matter: the Company shall purchase optical fiber preform, paints and related equipment and spare parts from Sumitomo Electric Group and subscribe for related services from Sumitomo Electric Group from time to time during the tenure of the Sumitomo Framework Purchase Agreement

Tenure: 1 January 2019 to 31 December 2019

Pricing basis and payment terms

The transactions under the Sumitomo Framework Purchase Agreement will be conducted in the 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 not less favourable than those available from independent third parties of the Group.

The selling prices of the optical fiber preform, paints and related equipment and spare parts sold by Sumitomo Electric Group to the Group and the related technical services provided by Sumitomo Electric Group to the Group are not fixed and to be determined in accordance with prevailing market prices that is comparable to the price offered to the Group by independent third parties and to be agreed between parties. To ensure the selling prices, technical service fees and payment terms are not less favourable than the market standard, the Group will generally monitor the average market price of the relevant optical fiber preform, paints and related equipment and spare parts and average market rate for service fees charged for the relevant technical services.

Annual Cap and Basis of Determination

	Historical amounts for the years ended 31 December (in RMB million)		Historical amounts for the eleven months ended 30 November (in RMB million)	Proposed annual cap for the year ending 31 December (in RMB million)
	2016 (audited)	2017 (audited)	2018 ^(note) (unaudited)	2019
1. Purchase of optical fiber preform and paints	104.99	150.81	124.14	
2. Technical services	—	0.47	0.45	
Total	<u>104.99</u>	<u>151.28</u>	<u>124.59</u>	
Purchase of optical fiber preform, paints and related equipment and spare parts and technical services				<u>260</u>

Note: The historical amounts in 2018 represents the amounts as at 30 November 2018.

The proposed annual cap of the transactions contemplated thereunder the Sumitomo Framework Purchase Agreement have been worked out with reference to the following factors:

- (i) The historical amount of relevant transaction with Sumitomo Electric Group for the years ended 31 December 2016 and 2017 and the eleven months ended 30 November 2018;
- (ii) The expected increase in the forecast need of the Group for optical fiber preform, paints and related equipment and spare parts as well as technical services; and
- (iii) The forecast average market price of optical fiber preform, paints and related equipment and spare parts and forecast average market rate for service fees charged for the relevant technical services for the year ending 2019 will remain stable.

Reasons for and the Benefit of the Sumitomo Framework Purchase Agreement

Sumitomo Electric Group is a global conglomerate involved in various industries including automotive, infocommunications, electronics, environmental and energy as well as industrial materials. As Sumitomo Electric Group is one of the leaders in producing optical fiber preform in Japan, the Company has been purchasing optical fiber preform, paints and related equipment and spare parts from Sumitomo Electric Group to manufacture its optical fibers to ensure the finished products are of high qualities and the related technical services provided are of high standards. Furthermore, the purchase of optical fiber preform, paints and related

equipment and spare parts from Sumitomo Electric Group can enhance, to certain extent, the stability of supply to the Group, given the market demand and supply situation of optical fiber preform in the PRC.

The Directors (including the independent non-executive Directors) consider that the terms of the Sumitomo Framework Purchase Agreement are fair and reasonable and the transaction is on normal commercial terms and entered in the ordinary and usual course of the Company's business and in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROL

In order to ensure that the terms under the Sumitomo Framework Purchase Agreement are not less favourable than those available from independent third parties of the Company, the Company has adopted the following measures:

1. SEI Optical will obtain the market price for the provision of optical fiber preform, paints and related equipment and spare parts by Sumitomo Electric Group to other customers and related technical service fees it received;
2. the Company will supervise continuing connected transactions in accordance with the procedure set forth in the Company's internal control manual on continuing connected transactions. The relevant personnel of the 審計監察法務部 (Internal Audit, Supervision & Legal Department*) of the Company and SEI Optical will conduct regular checks to review and assess whether the transactions contemplated under the relevant continuing connected transactions are conducted in accordance with the terms of their respective agreements and will also regularly update the market prices for the purpose of considering if the prices charged for specific transactions are fair and reasonable and in accordance with the aforesaid pricing policy;
3. the Company's external auditors will conduct an annual review on the pricing and the annual caps of the continuing connected transactions;
4. the audit committee of the Board will review at least twice a year the analysis reports and the improvement measures prepared by the Company's management based on the implementation of the Continuing Connected Transaction by the Company; and
5. the independent non-executive Directors will conduct an annual review of the implementation and enforcement of the Continuing Connected Transaction.

LISTING RULES IMPLICATIONS

Sumitomo Electric is a substantial shareholder of SEI Optical, a joint venture between the Company and Sumitomo Electric since 1998 and a non-wholly owned subsidiary, whereby the Sumitomo Electric holds 40% equity interest in SEI Optical while the Group controls the remaining 60% equity interest. As Sumitomo Electric is a substantial shareholder of a non-wholly owned subsidiary of the Group, Sumitomo Electric is a connected person of the Group at subsidiary level under the Listing Rules.

Pursuant to Rule 14A.101 of the Listing Rules, a connected transaction between the listed issuer's group and a connected person at the subsidiary level on normal commercial terms or better is exempt from the circular, independent financial advice and shareholders' approval requirements if (i) the listed issuer's board of directors have approved the transactions; and (ii) the independent non-executive directors have confirmed that the terms of the transaction are fair and reasonable, the transaction is on normal commercial terms or better and in the interests of the listed issuer and its shareholders as a whole. As the Directors have approved the Continuing Connected Transaction and the independent non-executive Directors have confirmed that the terms of such transactions are in the ordinary and usual course of business of the Group, and are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole, the Sumitomo Framework Purchase Agreement and the relevant annual cap are only subject to the reporting and announcement requirements but exempted from independent shareholders' approval.

GENERAL

The Group is principally engaged in the technological research and development of wires and cables, optic fibers and optical cables, specialised cable materials, irradiation processing, cable accessories, specialised equipment, instruments, and devices and equipment for different kinds of information industrial products (except categories restricted or prohibited by the State Council of the PRC); product manufacturing, sales and service.

Sumitomo Electric and its subsidiaries undertake product development, manufacturing and marketing, as well as service provision in the five business divisions, namely automotive, info communications, electronics, environment and energy, and industrial materials.

DEFINITIONS

“Board”	The board of Directors
“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”	has the same meaning as ascribed to it under the Listing Rules
“Continuing Connected Transaction”	the continuing connected transaction between Sumitomo Electric and the Company pursuant to the Sumitomo Framework Purchase Agreement
“controlling shareholder(s)”	has the meanings ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“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
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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
“SEI Optical”	成都中住光纖有限公司 (Chengdu SEI Optical Fiber Co., Telecommunication Co. Ltd.), a joint venture company established as a limited liability company in the PRC and primarily engaged in the manufacturing of optical fiber, optical cable and related products
“Share(s)”	Domestic Share(s) and/or H Share(s)
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sumitomo Electric”	Sumitomo Electric Industries, Ltd., a limited liability company incorporated in Japan whose shares are listed on the Tokyo Stock Exchange (Stock code: 5802)
“Sumitomo Electric Group”	Sumitomo Electric and its subsidiaries
“Sumitomo Framework Purchase Agreement”	The agreement entered into between the Company and Sumitomo Electric on 20 December 2018, pursuant to which the Company has agreed to purchase optical fiber preform and paints and related equipment and spare parts and subscribe for related technical services from Sumitomo Electric Group from time to time from 1 January 2019 to 31 December 2019

“substantial shareholder” has the meanings ascribed to it under the Listing Rules
“%” per cent.

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

Chengdu, the PRC, 20 December 2018

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

<i>Executive Directors:</i>	Mr. Wu Changlin (<i>Chairman</i>)
	Mr. Hu Jiangbing (<i>Vice Chairman</i>)
	Mr. Wang Micheng
	Mr. Han Shu
	Ms. Xu Liying
	Ms. Liu Yun
<i>Independent non-executive Directors:</i>	Ms. Mao Yaping
	Mr. Xiao Xiaozhou
	Mr. Feng Gang

* *For identification purposes only*