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If you are in any doubt as to any aspect of this supplementary circular or as to the action to be taken, you should consult your stockbroker or other licensed securities dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in 成都普天電纜股份有限公司 (Chengdu PUTIAN Telecommunications Cable Company Limited*), you should at once hand this supplementary circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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)

**SUPPLEMENTARY CIRCULAR TO THE 2015 FIRST
EXTRAORDINARY GENERAL MEETING IN RELATION TO
(1) PAST CONTINUING CONNECTED TRANSACTIONS;
(2) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO
THE POTEVIO FRAMEWORK SALES AGREEMENT; AND
SUPPLEMENTARY NOTICE OF THE 2015 FIRST EGM**

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

 艾華迪資本
AVISTA Capital
Avista Capital Limited

A letter from the Board (as defined herein) is set out on pages 5 to 19 of this supplementary circular (the “**Supplementary Circular**”). A letter from the Independent Board Committee (as defined herein) is set out on pages 20 to 21 of this Supplementary Circular. A letter from the Independent Financial Adviser (as defined herein) containing its advice to the Independent Board Committee and the Independent Shareholders (as defined herein) is set out on pages 22 to 43 of this Supplementary Circular.

This Supplementary Circular must be read together with the circular of the Company dated 25 September 2015. A supplementary notice convening an extraordinary general meeting (or any adjournment thereof) of the Company to be held at 10:00 a.m. on Thursday, 12 November 2015 at the conference room of the Company, No. 18 Xinhang Road, the West Park of Hi-tech Development Zone, Chengdu, Sichuan Province, the PRC is set out on pages 47 to 49 of this Supplementary Circular. The supplementary notice of First EGM shall be read together with the notice of First EGM dated 25 September 2015.

The revised proxy form for use at the First EGM is enclosed and also published on the website of the Stock Exchange of Hong Kong Limited. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying revised proxy form in accordance with the instructions printed thereon. In case of H Shares, the revised proxy form shall be lodged with the Company's H Share registrar, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong; and in case of Domestic Shares, the revised proxy form shall be lodged at the registered office of the Company in the PRC as soon as possible, but in any event, not less than 24 hours before the time scheduled for holding the First EGM (or any adjournment thereof) or for taking the poll as soon as practicable. Completion and delivery of the revised proxy form will not preclude you from attending and voting in person at the First EGM or any adjournment if you so desire.

* For identification purposes only

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DEFINITIONS

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

“Announcements”	the announcements dated 12 May 2015 and 25 September 2015 issued by the Company in relation to, among other things, the Past Continuing Connected Transactions and the Continuing Connected Transactions, respectively
“associate(s)”	has the meanings ascribed to it under the Listing Rules
“Board”	the board of Directors
“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 H 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 are to be carried out with Potevio Group, Sumitomo Electric Group and Fasten Group pursuant to the Potevio Framework Sales Agreement, Sumitomo Framework Purchase Agreement and Fasten Master Framework Agreement, respectively
“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
“Fasten Co., Ltd.”	法爾勝集團有限公司 (Fasten Group Company Limited*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of 江蘇法爾勝泓升集團有限公司 (Jiangsu Fasten Hongsheng Group Co., Ltd.)

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DEFINITIONS

“Fasten Company”	江蘇法爾勝股份有限公司 (Jiangsu Fasten Company Limited*), a company incorporated in the PRC with limited liability and a subsidiary of 江蘇法爾勝泓升集團有限公司 (Jiangsu Fasten Hongsheng Group Co. Ltd.), whose shares are listed on the Shenzhen Stock Exchange (stock code: 00890). It is held approximately as to 21.07% by 江蘇法爾勝泓升集團有限公司 (Jiangsu Fasten Hongsheng Group Co., Ltd.) and is primarily engaged in the manufacture and sale of metal products and a small volume of optical communication business
“Fasten Group”	江蘇法爾勝泓升集團有限公司 (Jiangsu Fasten Hongsheng Group Co., Ltd.*), a company incorporated in the PRC with limited liability, and its subsidiaries
“First EGM”	the extraordinary general meeting of the Company to be convened and held on Thursday, 12 November 2015 at the conference room of the Company, No. 18 Xinhang Road, the West Park of Hi-tech Development Zone, Chengdu, Sichuan Province, the PRC for the purpose of considering and, if thought fit, approving the proposed election of Directors and supervisors of the Company, approving and ratifying, among other things, the Past Continuing Connected Transactions and approving the transactions contemplated under the Potevio Framework Sales Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“H Share(s)”	overseas-listed foreign shares in the ordinary share capital of the Company, with a denominated par value of RMB1.00 each
“Independent Board Committee”	an independent committee of the Board comprising Mr. Choy Sze Chung, Jojo, Mr. Li Yuanpeng and Mr. Xiao Xiaozhou (being all independent non-executive Directors) to advise the Independent Shareholders in respect of the Past Continuing Connected Transactions and the Continuing Connected Transactions with the Potevio Group, and the transactions contemplated thereunder

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DEFINITIONS

“Independent Financial Adviser”	Avista Capital Limited, a licensed corporation under the SFO to engage in type 6 (advising on corporate finance) regulated activities, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Past Continuing Connected Transactions and approving the transactions contemplated under the Potevio Framework Sales Agreement
“Independent Shareholders”	any Shareholders, other than those Shareholders, with a material interest in the Past Continuing Connected Transactions or the Continuing Connected Transactions with the Potevio Group
“Latest Practicable Date”	11 October 2015, being the latest practicable date prior to the printing of this Supplementary Circular for ascertaining certain information contained therein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Past Continuing Connected Transactions”	the continuing connected transactions of the Group that occurred with Potevio Group, Sumitomo Electric Group and Fasten Group during the years ended 31 December 2012, 2013 and 2014
“Potevio Framework Sales 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 25 September 2015, pursuant to which the Company 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 from time to time from 1 January 2015 to 31 December 2017
“Potevio Group”	中國普天信息產業集團公司 (China PUTIAN Corporation*) and its subsidiaries but excluding the Group
“PRC”	the People’s Republic of China which, for the purpose of this Supplementary Circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Predecessor CT Rules”	the rules as stipulated within Chapter 14A of the Listing Rules prior to 1 July 2014

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DEFINITIONS

“Putian Fasten JV”	普天法爾勝光通信有限公司 (Putian Fasten Cable 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
“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., Ltd.*), a joint venture company established as a limited liability company in the PRC between the Company and Sumitomo Electric with equity interest of 60% and 40%, respectively
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	Domestic Share(s) and/or H Share(s)
“Shareholder(s)”	Holder(s) 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
“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
“%”	per cent

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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)

Executive Directors:

Mr. Zhang Xiaocheng (*Chairman*)
Mr. Wang Micheng (*Vice Chairman*)
Mr. Cong Huisheng
Mr. Chen Ruowei
Mr. Du Xinhua
Mr. Fan Xu

Registered Office and Head Office:

No. 18 Xinhang Road
The West Park of Hi-tech Development Zone
Chengdu
Sichuan Province
The PRC
Postal Code: 611731

Independent Non-executive Directors:

Mr. Choy Sze Chung, Jojo
Mr. Li Yuanpeng
Mr. Xiao Xiaozhou

Principal place of business in Hong Kong:

18/F, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

12 October 2015

To the Shareholders

Dear Sir or Madam,

**(1) PAST CONTINUING CONNECTED TRANSACTIONS; AND
(2) CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE POTEVIO FRAMEWORK SALES AGREEMENT**

INTRODUCTION

Reference is made to the Announcements in relation to the Past Continuing Connected Transactions and the Continuing Connected Transactions with the Potevio Group. It has come to the attention of the Company that some transactions entered into between the Group and the Potevio Group, which is connected with the Company, constituted continuing connected transactions of the Company. The Group has also purchased optical fiber preform from Sumitomo Electric Group, which is a connected person of the Company by virtue of Sumitomo Electric being a substantial shareholder of SEI Optical, a non-wholly owned subsidiary of the Company. Furthermore, upon consolidation of Putian Fasten JV as a non-wholly owned subsidiary of the Company in 2013, the Fasten Group and Fasten Company became connected persons of the Group at subsidiary level as they both held more than 10% equity interest in

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Putian Fasten JV. Consequently, transactions between the Group and Fasten Group, Sumitomo Electric Group and/or Fasten Company constituted continuing connected transactions of the Company.

On 25 September 2015, the Company entered into the Potevio Framework Sales Agreement for a term of three years commencing from 1 January 2015, in respect of the sale of certain wire, cables, optical fibers, telecommunication components and parts, from the Group to the Potevio Group.

The purpose of this Supplementary Circular is to provide you with information of, among other matters, (i) the information relating to each of the Past Continuing Connected Transactions and the Continuing Connected Transactions with Potevio Group, (ii) the advice from the Independent Board Committee to the Independent Shareholders in respect of the Past Continuing Connected Transactions and the Continuing Connected Transactions with Potevio Group, (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Past Continuing Connected Transactions and the Continuing Connected Transactions with Potevio Group, and (iv) a supplementary notice of the First EGM to be convened for the Independent Shareholders to consider if thought fit, to approve and ratify the transactions contemplated under the Past Continuing Connected Transactions and the Continuing Connected Transaction with Potevio Group.

Past Continuing Connected Transactions with the Potevio Group

The 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. These products and services include solutions for communications, broadcasting, industrial informatization, financial electronics, and new energy industry areas. As a result, the Group frequently purchases and sells goods and services from and to the Potevio Group.

During the financial years ended 31 December 2012, 2013 and 2014, the Group sold optical fiber cable and base station equipment, whose main purpose is to strengthen wifi signals, to the Potevio Group amounting to approximately RMB10,701,000, RMB50,173,000 and RMB51,914,000, respectively. Aside from manufacturing and selling optical fibers and cables, the Group also trades various telecommunications equipment. As the Potevio Group also provides telecommunications services, it purchases wires, cables and other telecommunication products from the Group to fulfill any telecommunications installation projects that it secures.

Past Continuing Connected Transaction with the Sumitomo Electric Group

The Sumitomo Electric Group is a global conglomerate involved in various industries including automotive, infocommunications, electronics, environmental and energy, and industrial materials. As the Sumitomo Electric Group is one of the leaders in producing optical fiber preform in Japan, the Company has been purchasing optical fiber preform and paints from Sumitomo Electric Group to manufacture its optical fibers to ensure the finished products are of high standards. Furthermore, as the demand of optical fiber preform in the PRC is higher

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than the supply, the purchase of optical fiber preform and paints from Sumitomo Electric Group can ensure stable supply of optical fiber preform and paints to the Group. During the financial years ended 31 December 2012, 2013 and 2014, the Group purchased optical fiber preform and paint products from Sumitomo Electric Group amounting to approximately RMB79,088,000, RMB91,944,000 and RMB151,971,000, respectively.

Past Continuing Connected Transaction with the Fasten Group

As the consolidation of Putian Fasten JV as a non-wholly owned subsidiary in the Company's financial statements occurred in 2013, transactions with the Fasten Group occurring since the consolidation in 2013 and 2014 constituted connected transactions of the Company. For the years ended 31 December 2013 and 2014, the Group purchased optical fiber preform, equipment, wooden drum and wires from the Fasten Group amounting to approximately RMB140,806,000 and RMB107,358,000, respectively. The Group also sold certain optical fiber and optical cable to the Fasten Group amounting to approximately RMB51,384,000 and RMB53,888,000 for the years ended 31 December 2013 and 2014, respectively. The Fasten Group is a major manufacturer of optical fiber preform. By entering into the transactions with the Fasten Group, the Company can ensure a stable supply of optical fiber preform to Putian Fasten JV, which is beneficial to Putian Fasten JV under a tight market. The Fasten Group also has extensive distribution channels for optical fiber, of which the Group can take advantage to market its products, leading to significant sales to the Fasten Group.

The Group leases a manufacturing facility and machinery from the Fasten Group for the manufacturing of optical fiber and a property belonging to Fasten Group to be used as office. Aside from machinery and property, the Group also pays licensing fees to Fasten Group for the use of their patents. The patents include two invention patents granted in the PRC relating to optical fiber preforms. The Group considered the leases of manufacturing facility, machinery and patents with Fasten Group would allow the Group to ensure the quality of its optical fiber products by controlling the manufacturing process and to bring economic benefits to the Group. During the years ended 31 December 2013 and 2014, the total amount of rental paid for usage of plant and machinery, patent and property both amounted to approximately RMB29,025,000.

For the years ended 31 December 2013 and 2014, the Group also provided loans to the Fasten Group. Aggregated loans together with interest accrued amounting to approximately RMB125,804,000 were provided to Fasten Co., Ltd. and Fasten Group, during the financial year ended 31 December 2013. For the year ended 31 December 2014, the total amount of loans with accrued interest provided by the Group to Fasten Group amounted to approximately RMB176,019,000. Fasten Group has always been operating on a basis whereby excess cash in one subsidiary is used as internal loan to other subsidiaries of Fasten Group. This allowed subsidiaries of the Fasten Group to earn interest higher than what it would earn if the excess cash is placed with commercial banks.

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LIST OF PAST CONTINUING CONNECTED TRANSACTIONS

The following table summarises the Past Continuing Connected Transactions of the Group, including the transaction nature, their highest applicable percentage ratio and the disclosure requirements:

	For the years ended 31 December			Applicable percentage ratios	Listing Rules requirements
	2012	2013	2014		
<i>Past Continuing Connected Transactions with the Potevio Group</i>					
1. Sales of optical fiber, optical cable and ancillary products	10.7	50.2	51.9	above 5%	announcement, circular, reporting and independent shareholders' approval
<i>Past Continuing Connected Transactions with the Sumitomo Electric Group</i>					
2. Purchase of optical fiber preform and paints	79.1	91.9	152.0	above 5%	announcement, circular, reporting and independent shareholders' approval
<i>Past Continuing Connected Transactions with the Fasten Group</i>					
3. Purchases of optical fiber preform, wooden drums, wires and equipment	—	140.8	107.4	above 5%	announcement, circular, reporting and independent shareholders' approval
4. Sales of optical fiber and optical cable	—	51.4	53.9	above 5%	announcement, circular, reporting and independent shareholders' approval
5. Leases of manufacturing facility and machinery, patent and property with Fasten Group	—	29.0	29.0	above 5%	announcement, circular, reporting and independent shareholders' approval
6. Loans to Fasten Group	—	125.8	176.0	above 5%	announcement, circular, reporting and independent shareholders' approval

PRICING BASIS AND PAYMENT TERMS

The Directors have reviewed the Past Continuing Connected Transactions and noted that the transactions contemplated under the Past Continuing Connected Transactions were all entered into under normal commercial terms. Prices of goods and services provided or purchased by the Group were negotiated on an arm's length basis based on existing market prices. Products such as optical preform, paints, optical fiber, optical cable, wires, and wooden drums, which have a readily available market, were priced based on market prices. The Group reviewed and compared its transactions or quotations for each of these products with at least one of the other independent third party suppliers and customers with similar transaction volume on a monthly basis to ensure the selling price and payment terms offered to or by its

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connected persons are not less favourable than those available to the Group from independent third party suppliers and customers. Leases of property with Fasten Group were determined by comparing property lease prices in the area of the factory with monthly payment for the leases. The licensing fee for use of patents with Fasten Group was a fixed amount with an annual payment. In accessing the licensing fee leased from the Fasten Group, the Group had considered (i) the economic benefit to the Group by leasing the patent; (ii) the fees of similar patents from oversea licensors; and (iii) the expected usage of the patents of the Group. To ensure every loan made to Fasten Group was no less favourable than the market standard, the Group compared the terms of every loan made to Fasten Group with the rates from the People's Bank of China before making the loan. Interests on loans to Fasten Group were not lower than those published rates with similar tenure as stipulated by the People's Bank of China, with interest payment annually or semiannually depending on terms of the loans. Having reviewed the Past Continuing Connected Transactions, the Board is of the view that the Past Continuing Connected Transactions were entered into on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Due to conflict of interests, Mr. Zhang Xiaocheng who is a director of subsidiaries in Potevio Group, namely China Putian Houma Communications Co., Ltd. (侯馬普天通信電纜有限公司), Nanjing Gaoke Company Limited (南京高科股份有限公司) and Hangzhou HONYAR Electrical Co., Ltd. (杭州鴻雁電器有限公司), 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. Cong Huisheng 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) and Shanghai Potevio Co., Ltd. (上海普天郵通科技股份有限公司), Mr. Chen Ruowei and Mr. Du Xinhua, who are directors of a subsidiary in Potevio Group, namely Wuhan PUTIAN Power Co., Ltd. (武漢普天電源有限公司), and Mr. Fan Xu who is a director of subsidiaries in Potevio Group, namely Putian Fasten Cable Communication Co., Ltd. (普天法爾勝光通信有限公司) have abstained from voting on the relevant Board resolutions approving and ratifying the Past Continuing Connected Transactions with the Potevio Group. Save as disclosed above, no other Director has abstained from voting on the Board resolution approving the Past Continuing Connected Transactions.

During the meeting of the Board held on 12 May 2015, the Independent Board Committee came to agree with the views expressed by the Board that the Past Continuing Connected Transactions were entered into on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Independent Board Committee has unanimously recommended that the Past Continuing Connected Transactions be approved and ratified to comply with the Listing Rules.

REASONS FOR THE PAST CONTINUING CONNECTED TRANSACTION

The Group is a large conglomerate engaged in the manufacture and sale of optical fibers, wires and cables, import and export of materials required for the manufacturing of wires and cables, and other telecommunication products and accessories. Due to the intensive capital

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nature of the business, it is beneficial to the Group to cooperate with other players in the industry, especially internationally reputable manufacturers. Furthermore, due to the high demand of optical fiber preform, working with optical fiber preform manufacturers ensures that the Group will be able to obtain a constant supply without being subject to pressures from the suppliers. Therefore, in order to maintain their competitive edge, the Group utilizes products and materials from these internationally reputable manufacturers in order to produce quality products. Similarly, the Group sells its products to these internationally reputable manufacturers to maintain its reputation as a supplier of established companies in the industry, as well as taking advantage of their distribution channels to widen the reach of the Group's products. The Group considered the leases of manufacturing facility and machinery and patents with Fasten Group would allow the Group to ensure the quality of its optical fiber products by manufacturing itself and also bring economic benefits to the Group. As interests on loans to Fasten Group were not lower than those published rates with similar tenure as stipulated by the People's Bank of China, loans to Fasten Group allowed the Group to earn interest higher than what it would earn if the excess cash is placed with commercial banks.

LISTING RULES IMPLICATIONS

As the Past Continuing Connected Transactions of the Group occurred prior to the implementation of the amendments to Chapter 14A of the Listing Rules, the Predecessor CT Rules shall apply to the Past Continuing Connected Transactions.

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 has been the controlling shareholder of the Company since 1994 when the Company was listed on the Stock Exchange, holding 60% equity interest in the Company. Therefore, China Potevio and the Potevio Group are connected persons of the Group and transactions between the Group and each of China Potevio and the Potevio Group are connected transactions of the Company. The Past Continuing Connected Transactions with the Potevio Group whose applicable percentage ratios exceeded 5% are subject to the reporting, annual review, announcement, and independent shareholders' approval requirements under the Predecessor CT Rules.

Sumitomo Electric is a substantial shareholder of SEI Optical, a joint venture set up by the Company and Sumitomo Electric since 1998 and a non-wholly owned subsidiary of the Company, whereby 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 Company, Sumitomo Electric is a connected person of the Company at subsidiary level under the Listing Rules. The Past Continuing Connected Transactions with Sumitomo Electric Group whose applicable percentage ratios that exceeded 5% are subject to the reporting, annual review, announcement, and independent shareholders' approval requirements under the Predecessor CT Rules.

Fasten Co., Ltd. and Fasten Company each holds approximately 24.8% and 19% equity interest in Putian Fasten JV. Due to the mis-interpretation of the Listing Rules, although the Company holds approximately 45% equity interest in Putian Fasten JV, the financial results of Putian Fasten JV are consolidated into the Group's financial statements for the year ended 31 December 2013 as the circumstance that the Company together with its person acting in

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consent controlled the composition of a majority of the board of directors of Putian Fasten JV permits the Company to account for Putian Fasten JV as the Company's subsidiary under the appropriate financial reporting standards. Therefore, Putian Fasten JV is considered to be a non wholly-owned subsidiary of the Company. As Fasten Co., Ltd. and Fasten Company are substantial shareholders of Putian Fasten JV, Fasten Co., Ltd. and Fasten Company are connected persons of the Company at subsidiary level under the Listing Rules. As Fasten Group holds 100% equity interest in Fasten Co., Ltd., the Fasten Group is therefore a connected person of the Company at subsidiary level under the Listing Rules. The Past Continuing Connected Transactions with Fasten Group whose applicable percentage ratios that exceeded 5% are subject to the reporting, annual review, announcement, and independent shareholders' approval requirements under the Predecessor CT Rules.

As a result of internal miscommunications causing failure to identify the connected transactions, the Company has failed to comply with the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Predecessor CT Rules, the independent shareholders' approval requirements under Rule 14A.48 of the Predecessor CT Rules and annual review requirements under Rules 14A.37 to 14A.40 of the Predecessor CT Rules for the Past Continuing Connected Transaction.

The Past Continuing Connected Transactions between the Potevio Group and Sumitomo Electric Group have also been conducted for many years prior to 2012. The Group has historically conducted transactions with the Potevio Group and Sumitomo Electric Group, in varying amounts, prior to the Company's listing in 1994 and prior to the establishment of SEI Optical, respectively. In view of the long historical transactions that the Group has been conducting with the Potevio Group and Sumitomo Electric Group, the Company is of the view that the costly and time consuming nature of compiling a detailed list of transactions over a prolonged historical period is not in the interest of the Company and Shareholders. While compiling the list of Past Continuing Connected Transactions prior to 2012 could provide more details of the transactions to the Shareholders, these transactions details do not serve much purpose in decision making other than to inform the Shareholders. The Company is of the view that the historical transactions have already occurred and completed in the distant past, were all conducted on arm's length basis prices based on the then market prices and with internationally established corporations. Therefore, there is no meaningful purpose in compiling past continuing connected transactions prior to 2012. Over the last 20 years, the Group's employees have changed significantly leading to a breakdown in communications within the Group, whereby the Past Continuing Connected Transactions were not properly communicated from the respective subsidiaries and associates to the corporate department of the Group. As a result, no one was aware of any non-compliance of the Past Continuing Connected Transactions that were occurring within the Group. Upon discovery of the Past Continuing Connected Transactions, the Company has taken immediate steps to rectify the deficiency with steps listed in the paragraph headed "Remedial Steps Taken by the Company" below.

REMEDIAL STEPS TAKEN BY THE COMPANY

Upon discovery of the Past Continuing Connected Transactions, the Company immediately collected information for all transactions between the Group and any potential connected persons of the Company, and attempt to quantify the amount of Past Continuing

LETTER FROM THE BOARD

Connected Transactions that occurred over the last 3 years. The list of Past Continuing Connected Transactions created based on information collected from subsidiaries of the Group was then presented to the Board.

During the meeting of the Board held on 12 May 2015, the Independent Board Committee came to agree with the views expressed by the Board that the Past Continuing Connected Transactions were entered into on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Independent Board Committee has unanimously recommended that the Past Continuing Connected Transactions be approved and ratified to comply with the Listing Rules.

In addition to the opinion expressed by the independent non-executive Directors that those Past Continuing Connected Transactions were conducted at arm's length because these transactions were made in the ordinary and usual course of business of the Group, and on normal commercial terms no less favourable to the Company, the Board, on 12 May 2015, held a board meeting to ratify, confirm and approve the abovementioned Past Continuing Connected Transactions as they considered that the Past Continuing Connected Transactions were entered into on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As remedial steps taken to prevent breaches of Chapter 14A of the Listing Rules from occurring, the Directors and respective senior management have engaged professionals with related expertise to provide trainings on Chapter 14A of the Listing Rules in May 2015 so that the Directors and relevant senior management will be familiar with the respective requirements and avoid similar mis-interpretation of the Listing Rules requirement in the future. The Group has also appointed the audit and legal department to regularly update and circulate the list of connected persons and the memorandum in relation to the relevant regulatory requirements to identify and monitor the transactions within the Group, especially for those conducted with such list of connected persons, and to set up procedures in order to ensure the internal reporting on potential connected transactions is smooth and to prevent any miscommunications between the Company and connected person. The Group will consult its legal or financial advisers on the requirement before entering any agreement or transaction which may constitute connected transactions under the Listing Rules to ensure that the Company will comply with the Listing Rules in the future. Furthermore, the audit committee under the Board will undertake the responsibility of overseeing the effective running of the corporate department and will conduct annual review of continuing connected transactions in accordance with the Listing Rules.

In accordance with the Listing Rules, any Shareholders with a material interest in the Past Continuing Connected Transactions are required to abstain from voting at the First EGM. China Potevio, a controlling Shareholder holding 60% of the entire issued share capital of the Company and a member of Potevio Group, and their respective associates are required to abstain from voting on the resolutions relating to the approval of the Past Continuing Connected Transactions with Potevio Group at the First EGM. As far as the Company is aware, there are no shareholders who would be required to abstain from voting on the Past Continuing Connected Transactions with Sumitomo Electric Group and Fasten Group at the First EGM.

LETTER FROM THE BOARD

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE POTEVIO FRAMEWORK SALES AGREEMENT

On 25 September 2015, the Company entered into the Potevio Framework Sales Agreement for a term of three years commencing from 1 January 2015, in respect of the sale of certain wire, cables, optical fibers, telecommunication components and parts, from the Group to Potevio Group.

POTEVIO FRAMEWORK SALES AGREEMENT

The principal terms of the Potevio Framework Sales Agreement are as follows:

- Date : 25 September 2015
- 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 the Potevio Group based on the requirements and demands of the Potevio Group from time to time during the tenure of the Potevio Framework Sales Agreement
- Tenure : 1 January 2015 to 31 December 2017

Pricing basis and payment terms

The transactions under the Potevio Framework Sales 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. For individual major customers, a small discount of less than 1% may be offered. To ensure the selling price and payment terms are not less favourable than the market rate, the Group will compare the average selling price of its products sold and the relevant payment terms offered to the Potevio Group and the independent third parties of the Group on a monthly basis or at least three relevant quotations obtained from other independent third party suppliers and customers with similar transaction volume. The Group will review the selling price and payment terms offered of every transaction with the Potevio Group to ensure all transactions with the Potevio Group will comply with the terms of the Potevio Framework Sales Agreement. Having considered (i) the small discount that may also be offered by the Group to its independent major customers; (ii) the smaller proportion of fixed cost incurred in bulk purchase orders; (iii) the maintenance of good business relationship with the major customers due to the offering of small discount to them; and (iv) the transactions with small discount

LETTER FROM THE BOARD

offered will still be profitable, the Company considers the pricing term under the Potevio Framework Sales Agreement is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Annual caps and basis of determination

The table below sets out the historical amounts and the proposed annual caps under the Potevio Framework Sales Agreement:

	Historical amounts for the years ended 31 December <i>(in RMB million)</i>			Historical amounts for the seven months ended 31 July 2015 <i>(in RMB million)</i>	Proposed annual caps for the years ended 31 December <i>(in RMB million)</i>		
	2012	2013	2014		2015	2016	2017
	1. Sales of optical fiber, optical cable and ancillary products	10.7	50.2	51.9	67.3	150.0	149.5

The proposed annual caps of the transactions contemplated thereunder the Potevio Framework Sales 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 2012 to 2014 and the seven months ended 31 July 2015;
- (ii) the expected needs of the Potevio Group for optical fiber, optical cable and ancillary products from the Group will be increased significantly due to the promotion for domestic optical communication services supported by the PRC Government to accelerate the development of its broadband infrastructure network in the PRC from 2013 to 2020, which is expected to continue boost the demand for optical fiber, optical cable and other ancillary products in the PRC;
- (iii) the forecast production volume for optical fiber, optical cable and ancillary products of the Group will be increased significantly due to its new production bases in Shanxi Province and Sichuan Province had commenced its operations in 2014; and
- (iv) the forecast market price of optical fiber, optical cable and ancillary products for the remaining period of 2015 and the years of 2016 and 2017 will remain stable.

LETTER FROM THE BOARD

Reasons for and the Benefit of the Potevio Framework Sales Agreement

The 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, these subsidiaries and associates of the Potevio Group have built a good working relationship with the regional telecommunications operators over the years. Therefore, by supplying the Groups products to the Potevio Group, the Group is capable of selling their products to customers whom they would 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.

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 the Potevio Group are connected persons of the Group and transactions with China Potevio and the Potevio Group are connected transactions of the Company. As the sales conducted under the Potevio Framework Sales Agreement from 1 January to 31 July 2015 is amounted to approximately RMB67.3 million, and the highest relevant applicable percentage ratios exceeded 5%, such transactions are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules. In addition, as the proposed annual caps of the transactions under the Potevio Framework Sales Agreement would render the applicable percentage ratios exceeding 5%, they are subject to the reporting, annual review, announcement, and independent shareholders' approval requirements under the Listing Rules.

Upon the discovery of the sales conducted under the Potevio Framework Sales Agreement in 2015 has failed to comply with the requirement of reporting, annual review, announcement, and independent shareholders' approval requirements under the Listing Rules, the Company has published an announcement on 25 September 2015 in accordance with Rule 14A.35 of the Listing Rules, among other matters, to provide the Shareholders information of the actual sales conducted under the Potevio Framework Sales Agreement in 2015 and notification of convening an extraordinary general meeting for approving the transactions contemplated under the Potevio Framework Sales Agreement.

Upon discovery of the failure to comply with the Listing Rules requirement for the sales conducted under the Potevio Framework Sales Agreement in 2015, the Company has taken immediate steps to rectify the deficiency. For details of the remedial steps taken by the Company to prevent recurrence of the similar incident in the future, please refer to the paragraph headed "Remedial Steps Taken by the Company" above. As at the Latest Practicable Date, all the remedial steps listed have been fully adopted, and the internal reporting and external consultation on every potential connected transactions has taken in practice. As such, the Company is of the view that the remedial steps adopted are effective and sufficient.

LETTER FROM THE BOARD

Due to conflict of interests, Mr. Zhang Xiaocheng who is a director of subsidiaries in Potevio Group, namely China Putian Houma Communications Co., Ltd. (侯馬普天通信電纜有限公司), Nanjing Gaoke Company Limited (南京高科股份有限公司) and Hangzhou HONYAR Electrical Co., Ltd. (杭州鴻雁電器有限公司), 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. Cong Huisheng 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) and Shanghai Potevio Co., Ltd. (上海普天郵通科技股份有限公司), Mr. Chen Ruowei and Mr. Du Xinhua, who are directors of a subsidiary in Potevio Group, namely Wuhan PUTIAN Power Co., Ltd. (武漢普天電源有限公司), have abstained from voting on the Board resolution approving the Continuing Connected Transactions with the Potevio Group due to conflict of interests, has resolved to approve the Continuing Connected Transactions with the Potevio Group. Save as disclosed above, no other Director has abstained from voting on the Board resolution approving the Continuing Connected Transactions with Potevio Group and the Board has resolved to approve the Continuing Connected Transactions with the Potevio Group.

The independent non-executive Directors came to agree with the views expressed by the Board that the Continuing Connected Transactions with the Potevio Group were entered into on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In accordance with the Listing Rules, any Shareholder with a material interest in the Continuing Connected Transactions with the Potevio Group and its associates are required to abstain from voting at the First EGM. China Potevio, a controlling Shareholder holding 60% of the entire issued share capital of the Company and a member of Potevio Group, and its associates are required to abstain from voting on the resolutions relating to the approval of the Past Continuing Connected Transactions with Potevio Group, the Potevio Framework Sales Agreement and the respective transactions contemplated thereunder at the First EGM.

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.

Sumitomo Electric and its subsidiaries undertake product development, manufacturing and marketing, as well as service provision in the five business divisions, namely automotive, infocommunications, electronics, environment and energy, and industrial materials. The Fasten Company is primarily engaged in the manufacture and sale of metal products and a small volume of optical communication business.

LETTER FROM THE BOARD

The Fasten Group is primarily engaged in the manufacture of metal products. It is a conglomerate with diversified production and operation businesses involving optical communication, new material and modern services.

An Independent Board Committee has been established to advise the Independent Shareholders as to whether the Past Continuing Connected Transactions and the Continuing Connected Transactions with the Potevio Group 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. Avista Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

2015 FIRST EGM

A supplementary notice convening the First EGM is set out on pages 47 to 49 of this Supplementary Circular. Ordinary resolutions in respect of approving and ratifying of the transactions contemplated under the Past Continuing Connected Transactions and approving the transactions contemplated under the Potevio Framework Sales Agreement will be proposed. China Potevio, the controlling shareholder of the Company and also a member of Potevio Group, shall abstain from voting in connection with the resolution approving and ratifying of the transactions contemplated under the Past Continuing Connected Transactions and approving the transactions contemplated under the Potevio Framework Sales Agreement. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, save as disclosed above, no other Shareholders are required to abstain from voting in connection with the resolution of approving and ratifying of the transactions contemplated under the Past Continuing Connected Transactions and approving the transactions contemplated under the Potevio Framework Sales Agreement at the First EGM pursuant to Rule 14A.36 of the Listing Rules.

In the event that you wish to attend the First EGM after reading this Supplementary Circular but you are unable to return the reply slip for attending the First EGM despatched along with the Circular of the Company dated 28 August 2015 on or before 21 September 2015, you may still attend the First EGM.

The form of proxy which relates to the resolutions set out in the Notice and is despatched along with the Circular (the "**Original Proxy Form**") does not include the new resolution (4) to (7) set out in the supplementary notice. Accordingly, a revised form of proxy ("**Revised Proxy Form**") is prepared by the Company and is enclosed herein.

- (i) Shareholders who are entitled to attend and vote at the First EGM may appoint one or more proxies to attend and vote on their behalves. A proxy need not be a Shareholder.
- (ii) In order to be valid, the Revised Proxy Form must be deposited by hand or post, for holders of H Shares of the Company, to the H Share registrar of the Company, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and, for holders of Domestic Shares of the Company, to the registered office of the Company not less than 24 hours before the time for holding

LETTER FROM THE BOARD

the First EGM (or any adjournment thereof) or for taking the poll. If the Revised Proxy Form is signed by a person under a power of attorney or other authority, a notarial copy of that power of attorney or authority shall be deposited at the same time as mentioned in the Revised Proxy Form. Completion and return of the Revised Proxy Form will not preclude Shareholders from attending and voting in person at the First EGM or any adjourned meetings should they so wish.

- (iii) For Shareholders who have lodged the Original Proxy Form to the share registrar of the Company or the registered office of the Company, please be reminded that:
- (a) Where a Shareholder has not returned the Revised Proxy Form to the share registrar of the Company or the registered office of the Company, the Original Proxy Form (if completed correctly) shall be deemed a valid form of proxy returned by such Shareholder. The proxy appointed by the Shareholder in such manner shall be entitled to vote or abstain from voting at his/her discretion on any resolutions properly and duly put to the First EGM other than those instructed in the Original Proxy Form, including the new resolution (4) to (7) set out in this supplementary notice.
 - (b) Where a Shareholder has returned the Revised Proxy Form to the share registrar of the Company or the registered office of the Company 24 hours before the time scheduled for holding the First EGM, the Original Proxy Form returned shall be revoked and substituted by the Revised Proxy Form and the Revised Proxy Form (if completed correctly) shall be deemed a valid form of proxy returned by such Shareholder.
 - (c) Where a Shareholder has returned the Revised Proxy Form to the share registrar of the Company or the registered office of the Company less than 24 hours before the time scheduled for holding the First EGM, the Revised Proxy Form shall be deemed invalid and the Original Proxy Form returned by such Shareholder shall also be revoked. The votes of the proxy purported to be appointed by the invalid or revoked proxy form (whether the Original Proxy Form or the Revised Proxy Form) will not be counted in the votes in respect of the resolutions proposed. Accordingly, Shareholders are advised not to return the Revised Proxy Form after the deadline. In the event that such Shareholder wishes to vote at the meeting, he/she shall attend and vote at the meeting in person.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee (comprising all the existing independent non-executive Directors) set out from pages 20 to 21 of this Supplementary Circular which contains its recommendation to the Independent Shareholders in relation to the transactions contemplated under the Past Continuing Connected Transactions and the transactions contemplated under the Potevio Framework Sales Agreement. Your attention is also drawn to the letter of advice from the Independent Financial Adviser set out from pages 22 to 43 of this Supplementary Circular which contains its advice and recommendation to the Independent Board Committee and the Independent Shareholders in

LETTER FROM THE BOARD

relation to the transactions contemplated under the Past Continuing Connected Transactions and the transactions contemplated under the Potevio Framework Sales Agreement and the principal factors and reasons taken into account in arriving at its recommendation.

The Independent Board Committee, having taken into account the principal reasons and factors considered by and the advice of the Independent Financial Adviser set out in its letter of advice on pages 22 to 43 of this Supplementary Circular, is in the opinion that the terms of the transactions contemplated under the Past Continuing Connected Transactions and the transactions contemplated under the Potevio Framework Sales Agreement, are in the ordinary and usual course of business of the Group, on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends that the Independent Shareholders vote in favour of the resolutions to be proposed at the First EGM to approve and ratify the Past Continuing Connected Transactions and the Potevio Framework Sales Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the section headed “General Information” to this Supplementary Circular.

Yours faithfully,
For and on behalf of the Board
Chengdu PUTIAN Telecommunications Cable Company Limited*
Zhang Xiaocheng
Chairman

* *For identification purposes only*

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)

12 October 2015

To the Independent Shareholders

Dear Sirs or Madam,

**PAST CONTINUING CONNECTED TRANSACTIONS
AND
CONTINUING CONNECTED TRANSACTIONS
WITH THE POTEVIO GROUP**

We refer to the circular dated 12 October 2015 issued by the Company (the “**Supplementary Circular**”) of which this letter forms part. Terms defined in the Supplementary Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed as the members of the Independent Board Committee to consider the Past Continuing Connected Transactions and the Continuing Connected Transactions with the Potevio Group and to advise the Independent Shareholders as to the fairness and reasonableness of the same. Avista Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board as set out on pages 5 to 19 of the Supplementary Circular and the letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Past Continuing Connected Transactions and the Continuing Connected Transactions with the Potevio Group as set out on pages 22 to 43 of the Supplementary Circular.

Having considered the terms of the Past Continuing Connected Transactions and the Continuing Connected Transactions with the Potevio Group and the principal reasons and factors considered by and the advice of the Independent Financial Adviser in relation thereto as set out on pages 22 to 43 of the Supplementary Circular, we are of the opinion that the Past Continuing Connected Transactions and the Potevio Framework Sales Agreement and the transaction contemplated thereunder are in the ordinary and usual course of business of the

* *For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Company, fair and reasonable, on normal commercial terms so far as the Independent Shareholders are concerned and are in the best interest of the Company and the Shareholders as a whole.

We therefore recommend that the Independent Shareholders should vote in favour of the ordinary resolutions to be proposed at the First EGM to approve and ratify the Past Continuing Connected Transactions and the Potevio Framework Sales Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. Choy Sze Chung Jojo Mr. Li Yuanpeng Mr. Xiao Xiaozhou

Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER



Suite 807, 8th Floor,
AXA Centre,
151 Gloucester Road,
Wan Chai, Hong Kong

12 October 2015

To: The Independent Board Committee and the Independent Shareholders

Dear Sirs,

**PAST CONTINUING CONNECTED TRANSACTIONS
AND
THE CONTINUING CONNECTED TRANSACTIONS
WITH THE POTEVIO GROUP**

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the transactions contemplated under the Past Continuing Connected Transactions and the Continuing Connected Transactions with the Potevio Group, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular (the “**Supplementary Circular**”) of the Company to the Shareholders dated 12 October 2015, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Supplementary Circular unless the context otherwise requires.

Reference is made to the Announcements of the Company in relation to the Past Continuing Connected Transactions. It has come to the attention of the Company that some transactions entered into between the Group and the Potevio Group, which is connected with the Company, constituted continuing connected transactions of the Company. The Group has also purchased optical fiber preform from Sumitomo Electric Group, which is a connected person of the Company by virtue of Sumitomo Electric being a substantial shareholder of SEI Optical, a non-wholly owned subsidiary in the Company’s financial statements. Furthermore, upon consolidation of Putian Fasten JV as a non-wholly owned subsidiary of the Company in 2013, the Fasten Group and Jiangsu Fasten Company Limited became connected persons of the Group at subsidiary level as they both held more than 10% equity interest in Putian Fasten JV. Consequently, transactions between the Group and Fasten Group, Sumitomo Electric Group and/or Jiangsu Fasten Company Limited constituted continuing connected transactions of the Company.

On 25 September 2015, the Company entered into the Potevio Framework Sales Agreement for a term of three years commencing from 1 January 2015, in respect of the sale of certain wire, cables, optical fibers, telecommunication components and parts, from the Group to the Potevio Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As the Past Continuing Connected Transactions of the Group occurred prior to the implementation of the amendments to Chapter 14A of the Listing Rules, the Predecessor CT Rules shall apply to the Past Continuing Connected Transactions.

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 has been the controlling shareholder of the Company since 1994 when the Company was listed on the Stock Exchange, holding 60% equity interest in the Company. Therefore, China Potevio and the Potevio Group are connected persons of the Group and transactions between the Group and each of China Potevio and the Potevio Group are connected transactions of the Company. The Past Continuing Connected Transactions with the Potevio Group whose applicable percentage ratios exceeded 5% are subject to the reporting, annual review, announcement, and independent shareholders' approval requirements under the Predecessor CT Rules.

Sumitomo Electric is a substantial shareholder of SEI Optical, a joint venture set up by the Group and Sumitomo Electric since 1998 and a non-wholly owned subsidiary of the Company, whereby 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 Company at subsidiary level under the Listing Rules. The Past Continuing Connected Transactions with Sumitomo Electric Group whose applicable percentage ratios that exceeded 5% are subject to the reporting, annual review, announcement, and independent shareholders' approval requirements under the Predecessor CT Rules.

Fasten Co., Ltd. and Fasten Company each holds approximately 24.8% and 19% equity interest in Putian Fasten JV. Due to the mis-interpretation of the Listing Rules, although the Company holds approximately 45% equity interest in Putian Fasten JV, the financial results of Putian Fasten JV are consolidated into the Group's financial statements for the year ended 31 December 2013 as the circumstance that the Company together with its person acting in consent controlled the composition of a majority of the board of directors of Putian Fasten JV permits the Company to account for Putian Fasten JV as the Company's subsidiary under the appropriate financial reporting standards. Therefore, Putian Fasten JV is considered to be a non wholly-owned subsidiary of the Company. As Fasten Co., Ltd. and Fasten Company are substantial shareholders of Putian Fasten JV, Fasten Co., Ltd. and Fasten Company are connected persons of the Company at subsidiary level under the Listing Rules. As Fasten Group holds 100% equity interest in Fasten Co., Ltd., the Fasten Group is therefore a connected person of the Company at subsidiary level under the Listing Rules. The Past Continuing Connected Transactions with Fasten Group whose applicable percentage ratios that exceeded 5% are subject to the reporting, annual review, announcement, and independent shareholders' approval requirements under the Predecessor CT Rules.

An Independent Board Committee (comprising all independent non-executive Directors) has been established to advise the Independent Shareholders as to whether the Past Continuing Connected Transactions and the Continuing Connected Transactions with the Potevio Group are in the ordinary and usual course of business of the Group, are on normal commercial terms, are no less favourable to the Group than other independent customers, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We, Avista Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees in connection with this appointment as the independent financial adviser, no other arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. As such, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules. We have not acted as the independent financial adviser to the Company's other transactions during the last two years.

BASIS OF OUR ADVICE

In arriving at our recommendation, we have relied on the information and facts provided by the Company and have assumed that any representations made to us are true, accurate and complete. We have also relied on the statements, information, opinions and representations contained in the Supplementary Circular and the information and representations provided to us by the Directors and the management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Supplementary Circular and all information, representations and opinions which have been provided by the Directors and the management of the Company for which they are solely responsible, are true and accurate at the time they were made and will continue to be accurate at the date of the despatch of the Supplementary Circular.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Supplementary Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Supplementary Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Supplementary Circular the omission of which would make any such statement contained in the Supplementary Circular misleading.

In formulating our opinion, we consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion, and we have discussed with the management of the Company so as to assess the fairness and reasonableness of the terms of the Past Continuing Connected Transactions and the Continuing Connected Transactions with the Potevio Group. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Supplementary Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted any independent investigation into the business and affairs of the Company, the Potevio Group, the Sumitomo Electric Group, the Fasten Group or their respective subsidiaries or associates. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

opinion expressed herein, which may come or be brought to our attention after the Latest Practicable Date. Except for its inclusion in the Supplementary Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

The following is a list of the Past Continuing Connected Transactions and the Continuing Connected Transactions with the Potevio Group:

Past Continuing Connected Transactions and Continuing Connected Transactions with the Potevio Group

- (1) Sales of optical fiber, optical cable and ancillary products

Past Continuing Connected Transactions with the Sumitomo Electric Group

- (2) Purchase of optical fiber preform and paint products

Past Continuing Connected Transactions with the Fasten Group

- (3) Purchases of optical fiber preform, wooden drums, wires and equipment/Sales of optical fiber and optical cable/Leases of manufacturing facility and machinery, patent and property with Fasten Group/Loans to Fasten Group

1. Past Continuing Connected Transactions and Continuing Connected Transactions with the Potevio Group

A. Background of and Reasons for the Past Continuing Connected Transactions and Continuing Connected Transactions with the Potevio Group

The Potevio Group is a state-owned group consists of companies involved in a full suite of fixed and mobile communication products and services, including solutions for communications, broadcasting, industrial informatization, financial electronics, and new energy industry areas. As a result, the Group sold optical fiber cable and base station equipment, whose main purpose is to strengthen wifi signals, to the Potevio Group. In addition, as the Potevio Group also provides telecommunications services, it purchases wires, cables and other telecommunication products from the Group to fulfill any telecommunications installation projects that it secures.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below are the sales of optical fiber, optical cable and ancillary products by the Group to the Potevio Group during the three years ended 31 December 2014:

	Historical amounts for the years ended 31 December (in RMB million)		
	2012	2013	2014
Sales of optical fiber, optical cable and ancillary products	10.7	50.2	51.9

According to the website of the Potevio Group, the Potevio Group has net asset value exceeds RMB10 billion and it has five listed companies, including the Company, Shanghai Potevio (Stock Code: 600680), Nanjing Putian (Stock Code: 200468), Eastcom (Stock Code: 600776) and Eastcom Peace (Stock Code: 002017). Its products and services are provided to more than 100 countries and regions across the world. Given its strong working relationship with many regional telecommunications operators over the years, the Directors believe that by supplying the Groups products to the Potevio Group, the Group is capable of selling their products to customers whom they would have difficulty in accessing directly due to the high requirements to become eligible to submit tenders for large scale supplying contracts.

As set out in the Board Letter, the Company entered into the Potevio Framework Sales Agreement with the Potevio Group on 25 September, 2015 for the Group to continue the sales of optical fiber, optical cable and ancillary products to the Potevio Group based on the requirements and demands of the Potevio Group from time to time till 31 December 2017. As stated in the Potevio Framework Sales Agreement, the Group would continue to supply products to the Potevio Group on an arm's length basis and on normal commercial terms.

Having considered that sales of optical fiber, optical cable and ancillary products are in line with the principal business and activities of the Group and selling through the Potevio Group can significantly broaden the Group's client base by utilizing the Potevio Group's established distribution channels to widen the reach of the Group's products, we are of the view that such Past Continuing Connected Transactions with the Potevio Group and also entering into the Potevio Framework Sales Agreement are in the ordinary and usual course of business of the Group and is in the interests of the Company and the Independent Shareholders as a whole.

B. Principal Terms of the Past Continuing Connected Transactions with the Potevio Group

In assessing the fairness and reasonableness of the terms of the Past Continuing Connected Transactions with the Potevio Group, we have conducted the following:

- obtained and reviewed, on a sample basis, over 10 major sales contracts entered into by the Group and the Potevio Group for the financial years of 2012, 2013 and 2014;

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- obtained and reviewed, on a sample basis, over 10 sales contracts entered into by the Group and over 10 different independent customers on those same/similar products for the financial years of 2012, 2013 and 2014; and
- compared their principal terms.

The following table shows the comparison summary of the sample sales contracts' principal terms:

Principal terms	Sales contracts with the Potevio Group	Sales contracts with other independent customers
Pricing		
— Optical fibre	Approximately RMB60–68/km	Approximately RMB55–70/km
— Optical cable	Approximately RMB1,300–3,900/km	Approximately RMB1,500–3,500/km
— Ancillary products	Approximately RMB8,700/unit	Approximately RMB8,400/unit
Credit terms		
— Optical fibre	Within 7 days after signing sales contracts	Immediate payment
— Optical cable	Within 5 business days after receiving payments from telecom operators	Within 3 months post products accepted by customers
— Ancillary products	30% and 70% of payments within 3 months and 9 months after products accepted by customers respectively	30% of payments within 5 working days and 70% of payments (in the form of 6 months commercial acceptance bill) within 10 working days after products accepted by customers
Transportation, insurance costs and other expenses	All costs/expenses borne by the Group	All costs/expenses borne by the Group

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We note that the principal terms of the Past Continuing Connected Transactions with the Potevio Group such as pricing and the party responsible for the transportation, insurance costs and other expenses were mostly in line with those with other independent customers. Despite credit terms vary in some cases, some products have shorter credit terms (such as optical cable) for Potevio Group than for other independent customers while other have longer credit terms (such as ancillary products). As advised by the management of the Group, the credit terms of each customer (whether it is Potevio Group or other independent customers) are determined after arm's length negotiation with the counterparty. Thus, we are of the opinion that the principal terms of the Past Continuing Connected Transactions with the Potevio Group were on normal commercial terms, were no less favourable to the Group than other independent customers, and were fair and reasonable so far as the Independent Shareholders are concerned.

C. Principal Terms of the Potevio Framework Sales Agreement

Pursuant to the Potevio Framework Sales Agreement, the Group would, subject to the proposed annual caps thereof, continue to provide Potevio Group with products 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. In order to ensure that the selling price and payment terms are not less favorable than those available from independent third parties of the Group, the Group will compare the average selling price of its products sold and the relevant payment terms offered to the Potevio Group and the independent third parties of the Group. As stated in the Board Letter, the Group will compare these in a monthly basis or compare to at least three relevant quotations obtained from other independent third party suppliers and customers with similar transaction volume. The audit committee will undertake the responsibility of overseeing the effective running of the audit and legal department and will conduct annual review of continuing connected transactions in accordance with the Listing Rules.

Shareholders should note that, pursuant to the Potevio Framework Sales Agreement, there is no exclusivity clause stated in the Potevio Framework Sales Agreement. As confirmed by the management of the Company, sales by the Group to the Potevio Group is on a non-exclusive basis. Accordingly, the Group is not obligated to transact with Potevio Group and would only do so if it is in the commercial interests of the Group, and it does not restrict the Group from selling to other customers. As such, we are of the view that the Potevio Framework Sales Agreement would provide commercial flexibility to the Group to transact with other customers in the event that the Group and Potevio Group might not be able to agree upon the terms or pricing of the sales with Potevio Group.

In view of the above, we consider that appropriate and sufficient pricing mechanism has been in place to ensure that the transactions contemplated under the Potevio Framework Sales Agreement will be conducted on normal commercial terms. Thus, we are of the opinion that the principal terms of the Potevio Framework Sales

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Agreement are on normal commercial terms, are no less favourable to the Group than other independent customers, and are fair and reasonable so far as the Independent Shareholders are concerned.

D. The Proposed Annual Caps for the Sales of optical fiber, optical cable and ancillary products to the Potevio Group

The following set out the historical figures of the Group's sales to the Potevio Group for each of the three years ended 31 December 2014 and the proposed annual caps for each of the three years ending 31 December 2017 under Potevio Framework Sales Agreement:

	Historical amounts for the years ended			Historical amount	Proposed annual caps For the years		
	31 December (in RMB million)			for the seven	ended 31 December (in RMB million)		
	2012	2013	2014	months ended	2015	2016	2017
				31 July 2015			
				(in RMB million)			
Sales of optical fiber, optical cable and ancillary products	10.7	50.2	51.9	67.3	150.0	149.5	171.9

As shown in the table above, the proposed annual cap for the years ending 31 December 2015 is RMB150 million, an increase of approximately 3 times from the historical amount for the year ended 31 December 2014.

In order to consider the fairness and reasonableness of the proposed annual caps under the Potevio Framework Sales Agreement for each of the three years ending 31 December 2017, we take into consideration of the following aspects:

- Actual unaudited historical sales by the Group to the Potevio Group for the first seven months ended 31 July 2015 has already reached RMB67.3 million, exceeding the full year sales amount to Potevio Group in 2014. This RMB67.3 million is before VAT, so using the seven months sales as the basis, the pro-rata annual sales to Potevio Group (including 17% VAT) for the year ending 31 December 2015 will be approximately RMB133 million. It is reasonable to include a 10% buffer for forecast and thus RMB150 million is a reasonable proposed annual cap for the year 2015.

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- According to the China Statistical Yearbook 2014, the length of optical cable lines from 2009 to 2013 are as follow:

	Length of optical cable lines (k.m.)	% Increase year on year
2009	8,294,565	
2010	9,962,467	20%
2011	12,119,303	22%
2012	14,793,300	22%
2013	17,453,709	18%

Source: China Statistical Yearbook 2014

Based on the historical growth in length of optical cables we are in the opinion that the management's expected sales growth of 15% in the year ending 31 December 2017 is reasonable. Since a 10% buffer has already been included in the proposed annual cap for 2015, which is already three times the historical sales to Potevio Group for the year ending 31 December 2014, we are in the opinion that the proposed annual cap for the year ending 31 December 2016 has already taken into account the industry growth despite it is same as the proposed annual cap for 2015.

- Based on the “Broadband China” strategy and implementation plan issued by the State Council (國務院“寬帶中國”戰略及實施方案) (國發[2013]31號) in August 2013, the PRC Government targets to accelerate the development of its broadband infrastructure network in order to narrow its gap with those of the developed countries. Some key targets to be achieved by the year end of 2020 include:
- 400 million households can enjoy fixed line broadband, doubles from 210 million households in 2013;
 - Fixed line broadband household coverage of 70%, increases from 40% in 2013; and
 - More than 98% of administrative villages will be able to access fixed or mobile broadband, increases from 90% in 2013.

In order to achieve the targets, the PRC Government has invested heavily to develop its broadband network, especially those 4G mobile network and fibre to the home (“FTTH”) network. Based on the Guidance Opinion on Accelerating the Construction of High-speed Broadband Network to Promote Network Speed and to Drop Charges issued by General Office of the State Council (國務院辦公廳關於加快高速寬帶網絡建設推進網絡提速降費的指導意見) (國發辦[2015]41號) issued in May 2015, the PRC Government will invest over RMB430 billion in 2015 to continue to expand its network infrastructure. During 2016–2017, the PRC Government will further invest a total of RMB700 billion. It estimated that by 2017, optical broadband speeds of 100 Mbps will be available to most urban cities and

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80% of administrative villages will be able to access FTTH. We believe that the strong development of the broadband network will continue to boost demand in the optical cable market in the PRC.

Taking into account of the above, in particular, (i) the actual historical sales by the Group to Potevio Group for the seven months ended 31 July 2015 and (ii) the expected strong growth in the optical cable industry in PRC, we are of the view that the proposed annual caps under the Potevio Framework Sales Agreement are justifiable. However, Shareholders should note that the proposed annual caps under the Potevio Framework Sales Agreement relate to future events and do not represent a forecast of revenue to be generated from the supply of optical fiber, optical cable and related products.

2. Past Continuing Connected Transactions with the Sumitomo Electric Group

A. *Background of and Reasons for the Past Continuing Connected Transactions with the Sumitomo Electric Group*

The Sumitomo Electric Group is a global conglomerate involved in various industries including automotive, info-communications, electronics, environmental and energy, and industrial materials. According to its website, Sumitomo Electric Group was established in 1897 in Osaka Japan. As of 31 March, 2014, it has more than 225,000 employees with 350 group companies in around 30 countries in all over the world. Sumitomo Electric Group is listed on Tokyo, Nagoya, and Fukuoka Stock Exchanges.

SEI Optical, a joint venture set up by the Group and Sumitomo Electric Group since 1998, primarily engages in the manufacturing of optical fiber, optical cable and related products. As the Sumitomo Electric Group is one of the leaders in producing optical fiber preform in Japan, the Group has been purchasing optical fiber preform and paints from Sumitomo Electric Group to manufacture its optical fibers.

Set out below are the purchase of optical fiber preform and paint products by the Group from the Sumitomo Electric Group during the three years ended 31 December 2014:

	Historical amounts for the years ended		
	31 December (in RMB million)		
	2012	2013	2014
Purchase of optical fiber preform and paint products	79.1	91.9	152.0

As advised by the management of the Group, there was a higher demand of optical fiber preform in the PRC than the local suppliers can meet. As a result, it is crucial to secure a reliable supply source without being subject to pressures from other suppliers. In addition, partnering with an internationally reputable supplier can

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also enhance the Group's brand and ensure the final products of the Group are of high quality. Also, it is normal and reasonable for a joint venture to leverage on its parent's supply capacity for raw material.

Having considered that purchase of optical fiber preform and paint products are in line with the principal business and activities of the Group and purchasing from the Sumitomo Electric Group can ensure high quality standard and secure supply source of one of the key raw materials, we are of the view that such Past Continuing Connected Transactions with the Sumitomo Group are in the ordinary and usual course of business of the Group and is in the interests of the Company and the Independent Shareholders as a whole.

B. Principal Terms of the Past Continuing Connected Transactions with the Sumitomo Electric Group

In assessing the fairness and reasonableness of the terms of the Past Continuing Connected Transactions with the Sumitomo Electric Group, we have conducted the following:

- obtained and reviewed, on a sample basis, over 10 major purchase contracts entered into by the Group and the Sumitomo Electric Group for the financial years of 2012, 2013 and 2014;
- obtained and reviewed, on a sample basis, over 10 purchase contracts entered into by the Group and 7 different independent suppliers on those same/similar products for the financial years of 2012, 2013 and 2014; and
- compared their principal terms.

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The following table shows the comparison summary of the sample purchase contracts' principal terms:

Principal terms	Purchase contracts with the Sumitomo Electric Group	Purchase contracts with other independent suppliers
Pricing		
— Optical fibre preform	Approximately USD133–190/kg	Approximately USD140–204/kg
— Paint products	Approximately USD12/kg	Approximately USD11–15/kg
Credit terms		
— Optical fibre preform	Within 90 days after air waybill date	Within 30 days after products accepted by customers
— Paint products	100% against shipment at 90 days after sight	Within 60–90 days after products accepted by customers
Transportation, insurance costs and other expenses		
— Optical fibre preform	Cost and freight by sea; insurance covered by the Group	Transportation costs borne by supplier
— Paint products	Carrier and insurance paid by air	Transportation costs borne by supplier

We note that the principal terms of the Past Continuing Connected Transactions with the Sumitomo Electric Group such as pricing and the party responsible for the transportation, insurance costs and other expenses were mostly in line with the principal terms of those with other independent suppliers. Despite credit terms vary in some cases, the Group generally has longer credit terms for Sumitomo Electric Group than for other independent suppliers. As advised by the management of the Group, the credit terms of each supplier (whether it is Sumitomo Electric Group or other independent suppliers) are determined after arm's length negotiation with the counterparty. Thus, we are of the opinion that the principal terms of the Past Continuing Connected Transactions with the Sumitomo Electric Group were on

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normal commercial terms, were no less favourable to the Group than other independent suppliers, and were fair and reasonable so far as the Independent Shareholders are concerned.

3. Past Continuing Connected Transactions with the Fasten Group

A. *Background of and Reasons for the Past Continuing Connected Transactions with the Fasten Group*

According to the website of the Fasten Group, it is a private owned large conglomerate established in 1964. The Fasten Group principally engages in the manufacture of metal wire and cable products such as steel wires, stranded cords, suspension cables and stainless steels which are used for large-scale infrastructures. It also manufactures new material including optical preforms and fibers for signal transmission and communication, poly-stones and plastic piping systems for civil purpose. Fasten Group is one of the largest 500 enterprises in the PRC.

Set out below are the transactions between the Group and the Fasten Group during the two years ended 31 December 2014:

	Historical amounts for the years ended 31 December (in RMB million)	
	2013	2014
Purchase of optical fiber preform, wooden drums, wires and equipment	140.8	107.4
Sales of optical fiber and optical cable	51.4	53.9
Leases of manufacturing facility and machinery, patent and property with Fasten Group	29.0	29.0
Loans to Fasten Group	125.8	176.0

Putian Fasten JV, a joint venture set up by the Group and Fasten Group, primarily engages in the manufacturing of optical fiber, optical cable and related products. The Group purchased optical fiber preform, equipment, wooden drum and wires from the Fasten Group. As mentioned earlier, as advised by the management of the Group, there was a higher demand of optical fiber preform in the PRC than the local suppliers can meet. As a result, it is crucial to secure a reliable supply source without being subject to pressures from other suppliers. Having more stable suppliers of optical fiber preform in such a tight market is beneficial to the Group. Also, it is normal and reasonable for a joint venture to leverage on its parent's supply capacity for raw material.

Fasten Group also has significant distribution channels for optical fiber as confirmed by the management of the Group. The Group has taken advantage of these distribution channels to market its products, leading to significant sales to the Fasten Group. It is normal and reasonable for a joint venture to leverage on its parent's distribution channels to expand its customer base.

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The Group leases manufacturing facility and machinery from the Fasten Group for the manufacturing of optical fiber and a property belonging to Fasten Group to be used as office. Aside from machinery and property, the Group also pays licensing fees to Fasten Group for the use of their patents. The patents include but not limited to various invention patents related to optical fiber preforms and various software copyrights related to testing of optical products, all granted in the PRC. It is normal and reasonable for a joint venture to lease production facility, office and any patent necessary to carry out its ordinary business from its parent.

The Group also provided loans to the Fasten Group. As confirmed by the management of the Group, Fasten Group has always been operating on a basis whereby excess cash in one subsidiary is used as internal loan to other subsidiaries of Fasten Group in order for the subsidiaries to earn interest higher than what it would earn if the excess cash is placed with commercial banks. As such, it is normal and reasonable for Putian Fasten JV to provide loans to Fasten Group.

Having considered all the above factors, since all the Past Continuing Connected Transactions with the Fasten Group are in line with the principal business and activities of Putian Fasten JV as a joint venture between the Group and the Fasten Group, we are of the view that such Past Continuing Connected Transactions with the Fasten Group are in the ordinary and usual course of business of the Group and is in the interests of the Company and the Independent Shareholders as a whole.

B. Principal Terms of the Past Continuing Connected Transactions with the Fasten Group

Purchase of optical fiber preform, wooden drums, wires and equipment

In assessing the fairness and reasonableness of the terms, we have conducted the following:

- obtained and reviewed, on a sample basis, 6 major purchase contracts entered into by the Group and the Fasten Group for the financial years of 2013 and 2014;
- obtained and reviewed, on a sample basis, 5 purchase contracts entered into by the Group and 2 different independent suppliers on those same/similar products for the financial years of 2013 and 2014; and
- compared their principal terms.

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The following table shows the comparison summary of the sample purchase contracts' principal terms:

Principal terms	Purchase contracts with the Fasten Group	Purchase contracts with other independent suppliers
Pricing		
— Optical fibre preform	Approximately RMB960–1,240/kg	Approximately RMB875–1,270/kg
Credit terms		
— Optical fibre preform	Within 45 days after receipt of invoice	Within 30 days after receipt of invoice
Transportation, insurance costs and other expenses		
— Optical fibre preform	All costs/expenses borne by supplier	All costs/expenses borne by supplier

Note: Only optical fibre preform is shown since the purchase contract of optical fibre preform we obtained have already accounted for approximately 79% and 76% of the total purchases from Fasten Group in FY2013 and FY2014 respectively.

We note that the principal terms of the purchases from the Fasten Group were mostly in line with the principal terms of those with other independent suppliers. Despite that the credit terms vary, the Group has slightly longer credit terms with the Fasten Group than other independent suppliers. As advised by the management of the Group, the credit terms of each supplier (whether it is the Fasten Group or other independent suppliers) are determined after arm's length negotiation with the counterparty. Thus, we are of the opinion that the principal terms of the purchases from the Fasten Group were on normal commercial terms, were no less favourable to the Group than other independent suppliers, and were fair and reasonable so far as the Independent Shareholders are concerned.

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Sales of optical fiber and optical cable

In assessing the fairness and reasonableness of the terms, we have conducted the following:

- obtained and reviewed, on a sample basis, 6 major sales contracts entered into by the Group and the Fasten Group for the financial years of 2013 and 2014;
- obtained and reviewed, on a sample basis, 7 sales contracts entered into by the Group and 6 different independent customers on those same/similar products for the financial years of 2013 and 2014; and
- compared their principal terms.

The following table shows the comparison summary of the sample sales contracts' principal terms:

Principal terms	Sales contracts with the Fasten Group	Sales contracts with other independent customers
Pricing		
— Optical fibre and cable	Approximately RMB1,000–5,110/km	Approximately RMB1,250–4,210/km
Credit terms		
— Optical fibre and cable	Within 5–60 days after receipt of invoice	Within 3–90 days after receipt of invoice
Transportation, insurance costs and other expenses	Fasten Group picks up goods from the Group	All costs/expenses borne by the Group

We note that the principal terms (in terms of pricing, credit terms etc.) of the sales to the Fasten Group were mostly in line with the principal terms of those with other independent customers. Thus, we are of the opinion that the principal terms of the sales to the Fasten Group were on normal commercial terms, were no less favourable to the Group than other independent customers, and were fair and reasonable so far as the Independent Shareholders are concerned.

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Leases of manufacturing facility and machinery, patent and property

In assessing the fairness and reasonableness of the terms, we have conducted the following:

- (i) For manufacturing facility and machinery
 - obtained and reviewed the list of manufacturing facility and machinery and their respective original cost;
 - obtained and reviewed the lease agreement and other supplemental agreements of the manufacturing facility and machinery; and
 - compared the sum of the present values of the machinery lease payments (discounted by the market interest rates for machinery loans) with the original cost of the machinery, taking into accounts of the economic benefits to the Group.

The following is the analysis summary:

- Lease term: 10 years starting from 1 October 2008
- Annual lease payment: RMB20,706,084

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- Based on PBOC rate of 7.47% in August 2008 and a market rate of machinery loan offered by financial institutions of around 1.5x PBOC rate (based on machinery loans offered by (i) DBS as per qqw.com.cn and (ii) Wing Hang Bank (China) Limited), the discount rate for calculating the present values of the lease payment should be approximately 11.21%.

	Annual lease payment (RMB)	Present values of the lease payment (RMB)
2009	20,706,084	18,619,742
2010	20,706,084	16,743,619
2011	20,706,084	15,056,535
2012	20,706,084	13,539,440
2013	20,706,084	12,175,208
2014	20,706,084	10,948,436
2015	20,706,084	9,845,273
2016	20,706,084	8,853,265
2017	20,706,084	7,961,211
2018	20,706,084	<u>7,159,041</u>
		<u><u>120,901,770</u></u>

- Since the original costs of the leased machinery were RMB115 million, the lease payment's total present values of RMB121 million is fair and reasonable.

(ii) For patent

- obtained and reviewed the patent agreements with Fasten Group and the list of patent;

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- reviewed historical connected transactions involving technology transfer agreements/technology license agreements of other listing companies in Hong Kong

Listing company	Document date	Details of transaction	Royalty/Fee
Yangtze Optical Fibre and Cable Joint Stock Limited Company (6869.HK)	2014 Annual Report	Optical Fibre Technology Cooperation Agreement with Draka	1.3% of the net selling price of each optical fibre product manufactured under the licensed patents that the Company sells or disposes of, pay semi-annually
Advanced Semiconductor Manufacturing Corporation Limited (3355.HK)	Circular dated 11 August 2014	Technology Transfer and Cooperation Agreement with NXP Group	3% of the net selling price of each product listco sells to both NXP Group and to customers other than NXP GNXP B.V. processes
		Identification Licensing Agreement	10% of the net selling price of each product produced by the Company using the technology under the NXP Identification Licensing Agreement and sold to the Company's customers including NXP Group
Lenovo Group Limited (992.HK)	Circular dated 24 February 2014	NEC Patent License Agreement	0.03% of gross sales of the NEC newco licensed products during the term of the agreement plus applicable taxes
China Merchants Holdings (International) Company Limited (144.HK)	Circular dated 4 February 2008	Hempel Technology and Trademark License Agreement	In 2007, royalty fees paid was HK\$100,788,000 and the net external sales of paint for that year was HK\$2,723 million. Therefore, the royalty fee was approximately 3.7% of the net external sales of paint
China Resources Logic Limited (1193.HK)	Circular dated 22 December 2006	Technology License Agreement with Sanyo Electric	3% on the sales price (excluding value added tax) of the compressor products which used the licensed technology

Source: *HKExnews*

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- compared the patent license fee taking into account of the economic benefits to the Group. The patent license fee is a fixed amount of RMB2 million per annum. For the year ended 31 December 2014, revenue from the optical cable and related products segment was RMB654.5 million, in which RMB53.9 million was to Fasten Group. Therefore, the royalty fee was approximately 0.31% and 3.71% of the optical cable sales and sales to Fasten Group respectively.

(iii) For property

- Obtained and reviewed the property lease agreement with Fasten Group; and
- compared the current comparable property lease prices in the area of the office (adjusted by the historical Consumer Price Index in Jiangsu) with monthly payment for the leases.

We note that the principal terms of the leases of manufacturing facility and machinery, patent and property with the Fasten Group were mostly in line with the market. Thus, we are of the opinion that the principal terms of the leases of manufacturing facility and machinery, patent and property were on normal commercial terms, were no less favourable to the Group than other independent parties, and were fair and reasonable so far as the Independent Shareholders are concerned.

Loans to Fasten Group

In assessing the fairness and reasonableness of the terms, we have conducted the following:

- obtained and reviewed all the loan agreements with the Fasten Group;
- compared with historical PBOC lending interest rates as follow:

Adjusted on:	Within			
	1 year term loan	1–3 years term loan	3–5 years term loan	5 years term loan
8 June 2012	6.31%	6.40%	6.65%	6.80%
6 July 2012	6.00%	6.15%	6.40%	6.55%
22 November 2014	5.60%	6.00%		6.15%
28 February 2015	5.35%	5.75%		5.90%

Source: People's Bank of China

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We note that the interests on loans to the Fasten Group were not lower than those published rates with similar tenure as stipulated by the People's Bank of China. Thus, we are of the opinion that the principal terms of the loans to the Fasten Group were on normal commercial terms, were no less favourable to the Group than other independent parties, and were fair and reasonable so far as the Independent Shareholders are concerned.

LISTING RULES IMPLICATIONS

As a result of internal miscommunications causing failure to identify the connected transactions, the Company has failed to comply with the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Predecessor CT Rules, the independent shareholders' approval requirements under Rule 14A.48 of the Predecessor CT Rules and annual review requirements under Rules 14A.37 to 14A.40 of the Predecessor CT Rules for the Past Continuing Connected Transaction.

In accordance with the Listing Rules, any Shareholders with a material interest in the Continuing Connected Transactions are required to abstain from voting at the First EGM. China Potevio, a controlling Shareholder holding 60% of the entire issued share capital of the Company and a member of Potevio Group, and their respective associates are required to abstain from voting on the resolution relating to the approval of the Past Continuing Connected Transactions with Potevio Group, the Potevio Framework Sales Agreement and the respective transaction contemplated thereunder at the First EGM.

RECOMMENDATION

Having considered the principal factors and reasons discussed above, we are of the view that:

- (i) conducting the Past Continuing Connected Transactions with the Potevio Group, the Sumitomo Electric Group and the Fasten Group was in the ordinary and usual course of business of the Group and in the interests of the Company and the Independent Shareholders as a whole;
- (ii) the principal terms of the Past Continuing Connected Transactions with the Potevio Group, the Sumitomo Electric Group and the Fasten Group were on normal commercial terms, were no less favourable to the Group than other independent parties, were fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole;
- (iii) entering into of the Potevio Framework Sales Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Independent Shareholders as a whole;

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- (iv) the principal terms of the Potevio Framework Sales Agreement are on normal commercial terms, are no less favourable to the Group than other independent parties, are fair and reasonable so far as the Company and the Shareholders are concerned and are in the interests of the Group and the Independent Shareholders as a whole;
- (v) the Proposed Annual Caps are reasonably determined, and are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the First EGM to approve and ratify the Past Continuing Connected Transactions and the Potevio Framework Sales Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Avista Capital Limited

Fung Sik Lun
Director

Wong Kin Chung
Director

Mr. Fung Sik Lun is a licensed person and the responsible officer of Avista Capital Limited registered with the SFC to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over ten years of experience in corporate finance industry.

Mr. Wong Kin Chung is a licensed person and the responsible officer of Avista Capital Limited registered with the SFC to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over ten years of experience in corporate finance industry.

GENERAL INFORMATION

1. RESPONSIBILITY STATEMENT

This Supplementary Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Supplementary Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

2. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with the Company and/or any of its subsidiaries which is not determinable by relevant member of the Group within one year without payment of compensation, other than statutory compensation.

4. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2014, being the date to which the latest published audited consolidated accounts of the Group were made up.

5. DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in this Supplementary Circular, as at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

GENERAL INFORMATION

6. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors and their respective associates had any interest in a business which competes or may compete with the businesses of the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling shareholder of the Company).

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2014, being the date to which the latest published audited financial statements of the Company were made up.

8. LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, neither the Company nor any of its subsidiaries was engaged in any litigation or claims of material importance and no litigation or claim of material importance was pending or threatened against the Company or any of its subsidiaries.

9. EXPERT

The following is the qualification of the expert (the “**Expert**”) who has given opinions or advice in this Supplementary Circular:

Name	Qualification
Avista Capital Limited	a corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO

The letters, reports and/or opinions from the above expert are given as of the date of this Supplementary Circular. The Expert has given and has not withdrawn its written consent to the issue of this Supplementary Circular with the inclusion of its letters, reports and/or opinion, as the case may be, and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, the Expert did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the Expert did not have any interest, directly or indirectly, in any assets which had since 31 December 2014 (being the date to which the latest published audited consolidated financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

GENERAL INFORMATION

10. MATERIAL CONTRACTS

The Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within two years immediately preceding the Latest Practicable Date.

11. GENERAL

The registered office of the Company is situated at No. 18, Xinhang Road, the West Park of Hi-tech Development Zone, Chengdu, Sichuan Province, the PRC (postal code: 611731). The principal place of business of the Company in Hong Kong is at 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

The H share registrar and transfer office of the Company in Hong Kong is Hong Kong Registrars Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

The company secretary of the Company is Ms. Kwong Yin Ping, Yvonne, who is a fellow member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

The English text of this Supplementary Circular shall prevail over the Chinese text in the event of inconsistency.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company at 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong during normal business hours on any business day from the date of this Supplementary Circular until the date of the First EGM:

- (a) this Supplementary Circular;
- (b) the letter from the Independent Board Committee, the text of which is set out on pages 20 to 21 of this Supplementary Circular;
- (c) the letter from the Independent Financial Adviser, the text of which is set out on pages 22 to 43 this Supplementary Circular;
- (d) the written consents referred to in the sub-section above headed "Expert";
- (e) the Announcements; and
- (f) the Potevio Framework Sales Agreement.

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)

**SUPPLEMENTARY NOTICE OF
THE 2015 FIRST EXTRAORDINARY GENERAL MEETING**

Reference is made to the circular (the “**Circular**”) and the notice (the “**Notice**”) of Chengdu PUTIAN Telecommunications Cable Company Limited* (the “**Company**”) dated 25 September 2015, which set out the time and venue of the 2015 first extraordinary general meeting of the Company (the “**First EGM**”) and contain the resolutions to be considered and approved at the First EGM.

SUPPLEMENTARY NOTICE IS HEREBY GIVEN that the First EGM will be held as originally scheduled at the Conference Room of the Company No. 18 Xinhang Road, the West Park of Hi-tech Development Zone, Chengdu, Sichuan Province, the People's Republic of China on Thursday, 12 November 2015 at 10:00 a.m. and in addition to the resolutions set out in the Notice, the following supplementary resolutions will also be considered and, if thought fit, approved by way of ordinary resolutions at the First EGM:

SUPPLEMENTARY ORDINARY RESOLUTIONS

4. To approve and ratify the transactions contemplated under the continuing connected transactions of the Company and its subsidiaries (the “**Group**”) with China PUTIAN Corporation and its subsidiaries (the “**Potevio Group**”) that occurred during the years ended 31 December 2012, 2013 and 2014;
5. To approve and ratify the transactions contemplated under the continuing connected transactions of the Group with Sumitomo Electric Industries Ltd. and its subsidiaries that occurred during the years ended 31 December 2012, 2013 and 2014;
6. To approve and ratify the transactions contemplated under the continuing connected transactions of the Group with Jiangsu Fasten Hongsheng Group Co., Ltd. and its subsidiaries that occurred during the years ended 31 December 2012, 2013 and 2014; and

* *For identification purposes only*

SUPPLEMENTARY NOTICE OF THE 2015 FIRST EGM

7. To approve the transactions contemplated under the continuing connected transactions of the Group with Potevio Group pursuant to the Potevio Framework Sales Agreement.

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

Chengdu, the PRC, 12 October 2015

Notes:

1. Except for the supplementary resolutions to be proposed at the First EGM, there is no other change to the other resolutions to be proposed at the First EGM as set out in the Notice. For details of the other resolutions to be considered and approved at the First EGM, eligibility for attending the First EGM, proxy arrangement, registration procedures, closure of register of members and other relevant matters, please refer to the Notice for the First EGM dated 25 September 2015.
2. In the event that you wish to attend the First EGM after reading the supplementary circular but you are unable to return the reply slip for attending the First EGM despatched along with the Circular of the Company dated 28 August 2015 on or before 21 September 2015, you may still attend the First EGM.
3. Proxy

The form of proxy which relates to the resolutions set out in the Notice and is despatched along with the Circular (the “**Original Proxy Form**”) does not include the new resolution (4) to (7) set out in the supplementary notice. Accordingly, a revised form of proxy (“**Revised Proxy Form**”) is prepared by the Company and is enclosed herein.

- (i) Shareholders who are entitled to attend and vote at the First EGM may appoint one or more proxies to attend and vote on their behalves. A proxy need not be a Shareholder.
- (ii) In order to be valid, the Revised Proxy Form must be deposited by hand or post, for holders of H Shares of the Company, to the H Share registrar of the Company, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong and, for holders of Domestic Shares of the Company, to the head office in the PRC of the Company not less than 24 hours before the time for holding the First EGM (or any adjournment thereof) or for taking the poll. If the Revised Proxy Form is signed by a person under a power of attorney or other authority, a notarial copy of that power of attorney or authority shall be deposited at the same time as mentioned in the Revised Proxy Form. Completion and return of the Revised Proxy Form will not preclude Shareholders from attending and voting in person at the First EGM or any adjourned meetings should they so wish.
- (iii) For Shareholders who have lodged the Original Proxy Form to the share registrar of the Company or the registered office of the Company, please be reminded that:
 - (a) Where a Shareholder has not returned the Revised Proxy Form to the share registrar of the Company or the registered office of the Company, the Original Proxy Form (if completed correctly) shall be deemed a valid form of proxy returned by such Shareholder. The proxy appointed by the Shareholder in such manner shall be entitled to vote or abstain from voting at his/her discretion on any resolutions properly and duly put to the First EGM other than those instructed in the Original Proxy Form, including the new resolution (4) to (7) set out in this supplementary notice.

* For identification purposes only

SUPPLEMENTARY NOTICE OF THE 2015 FIRST EGM

- (b) Where a Shareholder has returned the Revised Proxy Form to the share registrar of the Company or the registered office of the Company 24 hours before the time scheduled for holding the First EGM, the Original Proxy Form returned shall be revoked and substituted by the Revised Proxy Form and the Revised Proxy Form (if completed correctly) shall be deemed a valid form of proxy returned by such Shareholder.
- (c) Where a Shareholder has returned the Revised Proxy Form to the share registrar of the Company or the registered office of the Company less than 24 hours before the time scheduled for holding the First EGM, the Revised Proxy Form shall be deemed invalid and the Original Proxy Form returned by such Shareholder shall also be revoked. The votes of the proxy purported to be appointed by the invalid or revoked proxy form (whether the Original Proxy Form or the Revised Proxy Form) will not be counted in the votes in respect of the resolutions proposed. Accordingly, Shareholders are advised not to return the Revised Proxy Form after the deadline. In the event that such Shareholder wishes to vote at the meeting, he/she shall attend and vote at the meeting in person.
4. The First EGM is expected to take half of the day approximately. Shareholders attending the First EGM shall be responsible for their own travel and accommodation expenses.
5. The address of the registered office in the PRC of the Company is No. 18, Xinhang Road, the West Park of Hi-tech Development Zone, Cheungdu, Sichuan Province, the PRC (postcode: 611731).

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

Executive Directors:

Mr. Zhang Xiaocheng (*Chairman*)
Mr. Wang Micheng (*Vice Chairman*)
Mr. Cong Huisheng
Mr. Chen Ruowei
Mr. Du Xinhua
Mr. Fan Xu

Independent non-executive Directors:

Mr. Choy Sze Chung, Jojo
Mr. Li Yuanpeng
Mr. Xiao Xiaozhou