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Potevio

中国普天

成都普天電纜股份有限公司

CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

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

(Stock Code: 1202)

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE SUMITOMO FRAMEWORK PURCHASE AGREEMENT

On 20 December 2019, the Company entered into the Sumitomo Framework Purchase Agreement for a term of one year commencing from 1 January 2020 in relation to the purchase of optical fiber preforms and paints with related equipment and spare parts and the subscription of related technical services by the Group from Sumitomo Electric Group.

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

As the Directors have approved the Continuing Connected Transactions and the independent non-executive Directors have confirmed that the terms of such transactions are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole, the Sumitomo Framework Purchase Agreement and the related annual caps and all other transactions contemplated thereunder are only subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement under Rule 14A.101 of the Listing Rules.

BACKGROUND

On 20 December 2019, the Company entered into the Sumitomo Framework Purchase Agreement for a term of one year commencing from 1 January 2020 in relation to the purchase of optical fiber preforms and paints with related equipment and spare parts and the subscription of related technical services by the Group from Sumitomo Electric Group.

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

- Date : 20 December 2019
- Parties : The Company and Sumitomo Electric
- Subject matter : The Company will purchase optical fiber preforms and paints with related equipment and spare parts from Sumitomo Electric Group and subscribe for related services from Sumitomo Electric Group from time to time during the effective term of the Sumitomo Framework Purchase Agreement
- Effective term : From 1 January 2020 to 31 December 2020

Pricing basis and payment terms

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

The selling prices of optical fiber preforms, paints and related equipment and spare parts sold by Sumitomo Electric Group to the Group and the fees of the related technical services provided by Sumitomo Electric Group to the Group are not fixed and to be determined based on the prevailing market prices which are comparable to the prices offered by independent third parties to the Group and to be agreed between Parties. In order to ensure that the selling prices, technical service fees and payment terms and conditions are no less favourable than the market level, the Group will generally monitor the average market prices of the relevant optical fiber preforms, paints and related equipment and spare parts and the average market price of the service fees charged for the relevant technical services.

Annual Caps and Basis of Determination

| | Historical amounts for the years ended 31 December (in RMB million) | | Historical amounts for the ten months ended 31 October (in RMB million) | Existing annual cap for the year ending 31 December (in RMB million) | Proposed annual cap for the year ending 31 December (in RMB million) |
|---|--|-------------------|--|---|---|
| | 2017 (Audited) | 2018 (Audited) | 2019 ^(Note) (Unaudited) | 2019 | 2020 |
| Purchase of optical fiber preforms and paints | 150.81 | 135.62 | 127.14 | | |
| Technical services | 0.47 | 0.46 | 0.09 | | |
| Total | 151.28 | 136.08 | 127.23 | | |
| Purchase of optical fiber preforms, paints and related equipment and spare parts and technical services | | | | 260 | 260 |

Note: The historical amount for 2019 represents the amount as at 31 October 2019.

The proposed annual caps for the transactions contemplated under the Sumitomo Framework Purchase Agreement are determined with reference to the following factors:

- (i) the historical amounts of the relevant transactions with Sumitomo Electric Group for each of the years ended 31 December 2017 and 2018 and the ten months ended 31 October 2019;
- (ii) the expected growth in the projected demand of the Group for optical fiber preforms, paints and related equipment and spare parts and technical services; and
- (iii) the expected average market prices of optical fiber preforms, paints and related equipment and spare parts and the expected average market price of service fees charged for related technical services for the year ending 2020 will remain stable.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SUMITOMO FRAMEWORK PURCHASE AGREEMENT

Sumitomo Electric Group is a global conglomerate engaged in various industries including automotive, information communication, electronics, environment and energy, as well as industrial materials. As Sumitomo Electric Group is one of the leading enterprises in the production of optical fiber preforms in Japan, the Company has been purchasing optical fiber preforms, paints and related equipment and spare parts from Sumitomo Electric Group to manufacture its optical fibers to ensure the finished products are of high quality and the related technical services provided are of high standard. In addition, in view of the supply

and demand in the optical fiber preform market in the PRC, the purchase of optical fiber preforms, paints and related equipment and spare parts from Sumitomo Electric Group can, to a certain extent, enhance the stability of supply to the Group.

The Directors (including the independent non-executive Directors) consider that the terms of the Sumitomo Framework Purchase Agreement are fair and reasonable, and the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole.

INTERNAL CONTROL

In order to ensure that the terms under the Sumitomo Framework Purchase Agreement are no less favourable than those offered by independent third parties of the Company, the Company has adopted the following measures:

1. SEI Optical will obtain the market price of optical fiber preforms, paints and related equipment and spare parts and relevant technical services offered by Sumitomo Electric Group and compare the same against the market price offered by independent third parties;
2. The Company will monitor the continuing connected transactions in accordance with the procedures set out in the Company's internal control manual on continuing connected transactions. The Internal Audit, Supervision & Legal Department* (審計監察法務部) of the Company and the relevant personnel of SEI Optical will conduct regular checks to review and assess whether the transactions contemplated under the relevant continuing connected transactions are conducted in accordance with their respective agreements and will also regularly update the market prices for the purpose of considering if the prices charged for a specific transaction are fair and reasonable and in accordance with the stated pricing policy;
3. The external auditors of the Company will conduct an annual review on the pricing and annual caps of the continuing connected transactions;
4. The audit committee of the Board will review at least twice a year the analysis report and the improvement measures prepared by the management of the Company based on the implementation of the continuing connected transactions by the Company; and
5. The independent non-executive Directors will review the implementation and enforcement of the continuing connected transactions on an annual basis.

LISTING RULES IMPLICATIONS

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

* *For identification purposes only*

Pursuant to Rule 14A.101 of the Listing Rules, if (i) the board of directors of the listed issuer has approved the transaction; and (ii) the independent non-executive directors have confirmed that the terms of the transactions are fair and reasonable, the transactions are on normal commercial terms or better and in the interests of the listed issuer and its shareholders as a whole, the connected transactions between the listed issuer's group and the connected persons at the subsidiary level on normal commercial terms or better are exempt from the circular, independent financial advice and shareholders' approval requirements. As the Directors have approved the Continuing Connected Transactions and the independent non-executive Directors have confirmed that the terms of such transactions are in the ordinary and usual course of business of the Group and are fair and reasonable, on normal commercial terms, and in the interests of the Company and its Shareholders as a whole, the Sumitomo Framework Purchase Agreement and the related annual caps and all other transactions contemplated thereunder are only subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement. None of the Directors has a material interest in the Continuing Connected Transactions and therefore none of the Directors is required to abstain from voting on the resolution of the Board approving the Sumitomo Framework Purchase Agreement and the transactions contemplated thereunder.

GENERAL

The Group is principally engaged in the technology research and development, product production, sales and service of wires and cables, optical fibers and cables, special cable materials, irradiation processing, cable accessories, special equipment, equipment and devices and equipment for various information industry products (excluding categories restricted or prohibited by the State Council of the PRC).

Sumitomo Electric and its subsidiaries carry out product development, production and marketing, and provision of services in five business segments, namely automotive, information communication, electronics, environment and energy, and industrial materials.

DEFINITIONS

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|-------------------------------------|---|
| “Board” | Board of Directors |
| “Company” | 成都普天電纜股份有限公司 (Chengdu PUTIAN Telecommunications Cable Company Limited), a sino-foreign joint stock company incorporated in the PRC with limited liability, whose issued Shares are listed on the main board of the Stock Exchange |
| “connected person (s)” | has the same meaning ascribed to it under the Listing Rules |
| “Continuing Connected Transactions” | the continuing connected transactions between Sumitomo Electric and the Company under the Sumitomo Framework Purchase Agreement |
| “Director(s)” | directors of the Company |
| “Group” | the Company and its subsidiaries |

| | |
|---|---|
| “H Shares” | overseas-listed foreign shares in the ordinary share capital of the Company, with a RMB denominated par value of RMB1.00 each |
| “Hong Kong” | The Hong Kong Special Administrative Region of the PRC |
| “Listing Rules” | Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “PRC” | The People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “SEI Optical” | 成都中住光纖有限公司 (Chengdu SEI Optical Fiber Co., Telecommunication Co. Ltd.), a joint venture company established in the PRC with limited liability and primarily engaged in the manufacturing of optical fiber, optical cable and related products |
| “Shares” | domestic shares and/or H Shares |
| “Shareholders” | Shareholders of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Sumitomo Electric” | Sumitomo Electric Industries, Ltd., a limited liability company incorporated in Japan whose shares are listed on the Tokyo Stock Exchange (Stock code: 5802) |
| “Sumitomo Electric Group” | Sumitomo Electric and its subsidiaries |
| “Sumitomo Framework Purchase Agreement” | the agreement entered into between the Company and Sumitomo Electric on 20 December 2019, pursuant to which the Company has agreed to purchase optical fiber preforms and paints with related equipment and spare parts and subscribe for related technical services from Sumitomo Electric Group from time to time for a term commencing from 1 January 2020 to 31 December 2020 |

“substantial shareholder(s)” has the meaning ascribed to it under the Listing Rules
“%” per cent

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

Chengdu, the PRC, 20 December 2019

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

Executive Directors:

Mr. Wu Changlin (*Chairman*)
Mr. Hu Jiangbing (*Vice Chairman*)
Mr. Han Shu
Mr. Wang Micheng
Ms. Xu Liying
Ms. Liu Yun

Independent Non-executive Directors:

Ms. Mao Yaping
Mr. Xiao Xiaozhou
Mr. Feng Gang