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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)

**PROPOSED MANDATE IN RELATION TO  
THE MAJOR AND CONNECTED TRANSACTION  
IN RESPECT OF THE POTENTIAL DISPOSAL**

**POTENTIAL DISPOSAL**

The Company and China Potevio, its controlling shareholder (as defined in the Listing Rules), intend to sell their equity interests in Putian Fasten at the same time.

On 24 July 2020, the Board has resolved on the disposal of 12.5% equity interest in Putian Fasten held by the Company. Since the Group is a state-owned enterprise, and the equity interest in Putian Fasten is regarded as state-owned assets according to the relevant laws and regulations of the PRC, any transfer of the equity interest in Putian Fasten is subject to a public tender process organised by an approved equity exchange in accordance with the relevant laws and regulations of the PRC concerning the disposal of state-owned assets. It is currently planned that the Company and China Potevio will sell their respective 12.5% and 5% equity interests in Putian Fasten on the Equity Exchange.

The minimum consideration to be received in respect of the Potential Disposal shall be approximately RMB67 million (i.e. the opening price to be quoted at the public tender), which is determined by reference to the value of the shareholders' equity in Putian Fasten as at 31 October 2019, being the valuation benchmark date, of approximately RMB541 million, as evaluated by the Independent Third Party Appraisal Agency. The final opening price to be quoted at the public tender is also subject to the approval in relation to the appraised value of Putian Fasten from relevant regulatory authorities of state-owned assets in the PRC, but will be no less than the minimum consideration in any event.

The final consideration will depend on the final bid price of the public tender, but will be no less than the minimum consideration in any event.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, as China Potevio is the controlling shareholder of the Company holding 60% equity interest in the Company, China Potevio is a connected person of the Company under Chapter 14A of the Listing Rules. As the Company and China Potevio plan to sell their equity interests in Putian Fasten at the same time, the Potential Disposal, if materialised, will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios under the Listing Rules in respect of the Potential Disposal are more than 5%, and the consideration of the disposal exceeds HK\$10,000,000, the Potential Disposal is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Using the minimum consideration as the basis of calculation, the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Potential Disposal is more than 25% but less than 75%. Therefore, the Potential Disposal, if materialised, is expected to constitute a major transaction of the Company subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Board would like to seek the Proposed Mandate to be granted in advance by the Shareholders at the EGM to the Directors to enter into and complete the Potential Disposal through public tender.

An independent board committee of the Company comprising Ms. Mao Yaping, Mr. Xiao Xiaozhou and Mr. Feng Gang, being all the independent non-executive Directors, will be established to advise the Independent Shareholders, among other things, whether the Potential Disposal is fair and reasonable, on normal commercial terms and are in the interests of the Company and its Shareholders as a whole. An independent financial adviser has been appointed to advise such independent board committee and the Independent Shareholders on the same.

A circular containing, among other things, (i) further information of the Potential Disposal; (ii) such other information as required under the Listing Rules; (iii) a letter from the independent board committee of the Company; (iv) a letter from the independent financial adviser to the independent board committee and the Independent Shareholders; (v) the valuation report; and (iv) a notice of the EGM, will be despatched to the Shareholders on or before 14 August 2020.

Mr. Wu Changlin, an executive Director and Chairman of the Board, is a director of China Potevio, is regarded as having a material interest in the Potential Disposal and has abstained and will continue to abstain from voting for approving the Board resolution in relation to the Potential Disposal and the transactions contemplated thereunder.

China Potevio, which will sell its equity interest in Putian Fasten alongside the Company, is regarded as having a material interest in the Potential Disposal. Therefore, China Potevio, being the controlling shareholder of the Company, shall abstain from voting on the resolution of the Company to be proposed at the EGM approving the Potential Disposal and the transactions contemplated thereunder.

**As the Potential Disposal may or may not proceed, shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company. If the Potential Disposal materialises, it may constitute a notifiable transaction and/or connected transaction of the Company under the Listing Rules and further announcement(s) and/or circular(s) will be made by the Company in compliance with the Listing Rules as and when appropriate.**

## **BACKGROUND OF THE POTENTIAL DISPOSAL**

The Group's core development strategy is to cater to the domestic demand of new infrastructure network construction and provide reliable optical communications and energy transmission cable related products. As part of this strategy, the Company intends to concentrate resources to enhance its core technological and business capabilities. Therefore, the Company and China Potevio, its controlling shareholder (as defined in the Listing Rules), intend to sell their equity interests, 12.5% and 5%, respectively, in Putian Fasten at the same time.

On 24 July 2020, the Board has resolved on the Potential Disposal. Since the Group is a state-owned enterprise, and the equity interest in Putian Fasten is regarded as state-owned assets, the Potential Disposal is subject to a public tender organised by an Equity Exchange in accordance with the relevant laws and regulations of the PRC.

## **INTEREST IN PUTIAN FASTEN**

Putian Fasten is a joint venture company incorporated in the PRC with limited liability and is principally engaged in the manufacture of optical fiber, optical cable and ancillary products. The Company holds 22.5% equity interest in Putian Fasten as at the date of this announcement. Upon completion of the Potential Disposal, the Company will hold 10% equity interest in Putian Fasten.

Set out below is the key audited financial information of Putian Fasten for the two financial years ended 31 December 2018 and 31 December 2019 prepared in accordance with the PRC accounting standards.

	<b>For the year ended</b>	
	<b>31 December 2019</b>	<b>31 December 2018</b>
	<i>(RMB)</i>	<i>(RMB)</i>
Profit/(loss) before tax	(48,880,420.24)	4,705,708.70
Profit/(loss) after tax	(36,536,141.97)	4,560,978.83

The audited equity attributable to the owners of Putian Fasten as at 31 December 2019 amounted to RMB513,093,410.97. The equity attributable to the owners of Putian Fasten as appraised by the Independent Third Party Appraisal Agency on 28 February 2020, with 31 October 2019 as the valuation benchmark date, amounted to RMB541,276,689.59.

## **MAJOR TERMS OF THE POTENTIAL DISPOSAL**

### **A. Qualifications of Potential Bidders**

The Company will conduct a public tender through the Equity Exchange in accordance with laws and regulations of the PRC relating to the disposal of state-owned assets. The qualifications of potential bidders shall meet the requirements of the Equity Exchange.

### **B. Date and Procedures of the Public Tender**

The Company shall perform information disclosure procedures through the Equity Exchange, with a publication period of 20 working days immediately after the tender notice. Upon the approval of the Shareholders at the EGM, the Company shall submit to the Equity Exchange a tender notice in relation to the Potential Disposal containing details including, but not limited to, basic information of the company participating in the public tender, the minimum consideration, the qualifications of potential bidders, before commencing the process of the public tender. During the publication period, eligible bidders may indicate their purchase intentions and register themselves as interested bidders. The bidding process is subject to certain conditions of the Equity Exchange, including the payment of earnest money by potential bidders and, where there are two or more eligible potential bidders, the one who offers the highest bidding price becoming the successful bidder.

The successful bidder is required to sign the Definite Agreement with the Company. The final sum of consideration of the Potential Disposal will be subject to the result of the public tender and the Definite Agreement.

As at the date of this announcement, material information of the Definite Agreement, including the identity of bidder(s), final Consideration, payment, delivery and transfer time have not been determined. The Company will enter into the Definite Agreement upon confirmation of the successful bidder and perform its relevant approval procedures and information disclosure obligations and complete the Potential Disposal. As at the date of this announcement, no agreement has been entered into between the Group and any other party in relation to the Potential Disposal.

### **C. Consideration**

The minimum consideration, being the initial bidding price for the Potential Disposal of approximately RMB67,659,586.20, was determined based on the valuation conclusion on the Potential Disposal on 28 February 2020 arrived at by the Independent Third Party Appraisal

Agency in a valuation report using the asset-based approach, with 31 October 2019 as the evaluation benchmark date. As such, the Directors are of the view that the minimum consideration are fair and reasonable and in the interest of the Company and its shareholders.

The final opening price to be quoted at the public tender is also subject to the approval in relation to the appraised value of Putian Fasten from relevant regulatory authorities of state-owned assets in the PRC, but will in any event be no less than the minimum consideration. The final consideration will depend on the final bid price of the result of public tender, but will not be less than the minimum consideration in any event.

#### **D. Conditions precedent to the entering into and completion of the disposal**

The entering into the Potential Disposal shall be conditional upon the Company having completed all filing procedures and obtained all necessary consents and approvals regarding the Potential Disposal including the approval by the Shareholders in respect of the Proposed Mandate at the EGM. The Proposed Mandate shall be effective for 12 months from the date of Shareholders' approval at the EGM. Once a successful bidder has been identified, the Company will have an unconditional obligation under the rules of the Equity Exchange to enter into the Definite Agreement with the successful bidder and shall, subject to the payment of the consideration by the successful bidder, complete the transactions contemplated thereunder. The Company will not be able to include the approval of the Shareholders which is required under Chapter 14 of the Listing Rules as a condition precedent to the completion of the Potential Disposal. Accordingly, the Board will seek the Shareholders' advance approval for the grant of the Proposed Mandate at the EGM to the Directors.

#### **REASONS FOR AND BENEFITS OF THE POTENTIAL DISPOSAL**

The Group's core development strategy is to cater to the domestic demand of new infrastructure network construction and provide reliable optical communications and energy transmission cable related products. As part of this strategy, the Company intends to further enhance its business structure and concentrate resources to enhance its core technological and business capabilities in order to meet the needs of the Group's strategic development.

The Directors also believe that by focusing on its core businesses, the Group is capable of consolidating and deepening its brand to strengthen the Group's presence in the telecommunications market in the PRC. At the same time, it is beneficial for the Company to capture the investment gain arising from the Potential Disposal.

The Directors (excluding the independent non-executive Directors, who shall provide their recommendation after taking into account the advice of the independent financial adviser to be engaged) have considered that the Potential Disposal will be fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

## **USE OF PROCEEDS FROM THE POTENTIAL DISPOSAL**

Based on the minimum consideration, the gross proceeds from the Potential Disposal are expected to be approximately RMB67,659,586.20 in total. The Group intends to use the proceeds from the Potential Disposal for potential business opportunities aimed at promoting the existing core businesses of the Group as well as general working capital.

## **FINANCIAL IMPACT OF THE POTENTIAL DISPOSAL**

The Group is expected to record a gain before tax of approximately RMB5,230,968.90 (subject to adjustment and audit) from the Potential Disposal. It was calculated based on (i) the minimum consideration of approximately RMB67,659,586.20; and (ii) the unaudited carrying amount of the 12.5% equity interest in Putian Fasten held by the Company of approximately RMB62,428,617.30 as at 30 June 2020. The final gain from the Potential Disposal will be determined based on the final consideration for the Potential Disposal, subject to audit by the auditors of the Company.

## **INFORMATION ABOUT THE COMPANY AND THE GROUP, CHINA POTEVIO AND PUTIAN FASTEN**

### **The Company and the Group**

The Company is an investment holding company. 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 PRC).

### **China Potevio**

中國普天信息產業股份有限公司 (China Potevio Company Limited\*), a company incorporated in the PRC with limited liability and the controlling shareholder of the Company, is a central state-owned enterprise and a wholly-owned subsidiary of 中國普天信息產業集團有限公司 (China Putian Information Industry Group Company Limited\*) and is primarily engaged in the manufacture, trading and research and services in relevant technology of information telecommunication products; the scope of business includes information communications, photo-electricity, industrial information, e-finance and new energy property bases.

### **Putian Fasten**

Putian Fasten is a joint venture company incorporated in the PRC with limited liability and is an associate of the Company, in which the Company and China Potevio hold 22.5% and 5% equity interests, respectively. Putian Fasten is principally engaged in the manufacture of optical fiber, optical cable and ancillary products.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, as China Potevio is the controlling shareholder of the Company holding 60% equity interest in the Company, China Potevio is a connected person of the Company under Chapter 14A of the Listing Rules. As the Company and China Potevio plan to sell their shares in Putian Fasten at the same time, the Potential Disposal, if materialised, will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios under the Listing Rules in respect of the Potential Disposal are more than 5%, and the consideration of the Potential Disposal exceeds HK\$10,000,000, the Potential Disposal is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios exceed 25% but are less than 75%, the Potential Disposal, if materialised, may constitute a major transaction of the Company and is required to comply with the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Mr. Wu Changlin, an executive Director and Chairman of the Board, is a director of China Potevio, is regarded as having a material interest in the Potential Disposal and has abstained and will continue to abstain from voting for approving the Board resolution in relation to the Potential Disposal and the transactions contemplated thereunder.

China Potevio, which will sell its equity interest in Putian Fasten alongside the Company, is regarded as having a material interest in the Potential Disposal. Therefore, China Potevio, being the controlling shareholder of the Company, shall abstain from voting on the resolution of the Company to be proposed at the EGM approving the Potential Disposal and the transactions contemplated thereunder.

## **GENERAL**

The Board would like to seek the Proposed Mandate to be granted in advance by the Shareholders at the EGM to the Directors to enter into and complete the Potential Disposal through the public tender.

An independent board committee of the Company comprising Ms. Mao Yaping, Mr. Xiao Xiaozhou and Mr. Feng Gang, being all the independent non-executive Directors, will be established to advise the Independent Shareholders, among other things, whether the Potential Disposal is fair and reasonable, on normal commercial terms and are in the interests of the Company and its shareholders as a whole. An independent financial adviser has been appointed to advise the independent board committee and the Independent Shareholders on the same.

A circular containing, among other things, (i) further information of the Potential Disposal; (ii) such other information as required under the Listing Rules; (iii) a letter from the independent board committee of the Company; (iv) a letter from the independent financial adviser to the independent board committee and the Independent Shareholders; (v) the valuation report; and (iv) a notice of the EGM, will be despatched to the Shareholders on or before 14 August 2020.

**Shareholders and potential investors of the Company should note that the terms of the Potential Disposal are subject to the Definite Agreement. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company. If the Potential Disposal materialises, it may constitute a notifiable transaction and/or connected transaction of the Company under the Listing Rules and further announcement(s) and/or circular(s) will be made by the Company in compliance with the Listing Rules as and when appropriate.**

## **DEFINITIONS**

In this announcement, the following expressions have the following meanings:

“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, and whom is a central state-owned enterprise and a wholly-owned subsidiary of 中國普天信息產業集團有限公司 (China Putian Information Industry Group Company Limited*)
“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
“Definite Agreement”	the legally-binding agreement to be entered into between the Company and the successful bidder upon completion of the bid as required by the Equity Exchange, pursuant to which the Company shall sell, and the successful bidder shall acquire, 12.5% equity interest in Putian Fasten
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the Shareholders to consider and, if thought fit, to approve the resolution(s) in relation to the grant of the Proposed Mandate in respect of the Potential Disposal
“Equity Exchange”	an institution authorised by the State-owned Assets Supervision and Administration Commission to transact assets and equity of state-owned enterprises of the PRC



“Group”	the Company and its subsidiaries
“H Share(s)”	overseas-listed foreign shares of the nominal value of RMB1.00 each in the ordinary share capital of the Company which are listed on the Main Board of the Stock Exchange
“HK\$”	the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party Appraisal Agency”	Shanghai Orient Appraisal Co., Ltd. (上海東洲資產評估有限公司), an independent third party appraisal agency established in the PRC
“Independent Shareholders”	the Shareholders other than China Potevio, its associates and any Shareholder with material interest in the Potential Disposal and the transactions contemplated thereunder
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excluding Hong Kong and Macau Special Administrative Region of the PRC and Taiwan
“Potential Disposal”	the disposal of 12.5% equity interest in Putian Fasten by the Company
“Proposed Mandate”	the general mandate to be granted in advance to the Directors to carry out, enter into and complete the Potential Disposal by the Shareholders at the EGM
“Putian Fasten”	普天法爾勝光通信有限公司 (Putian Fasten Cable Telecommunication Co. Ltd.*), a company incorporated in the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“%”

per cent.

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

Chengdu, the PRC, 24 July 2020

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

\* *For identification purposes only*