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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 HONYAR FRAMEWORK DISTRIBUTION AGREEMENT**

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



On 29 April 2016, the Company entered into the Honyar Framework Distribution Agreement with Hangzhou HONYAR Electrical for a term from the date of the Independent Shareholders' approval to 31 December 2017, in respect of the purchase of certain electrical products, lighting products, piping products and smart products, from Honyar Group to the Group, subject to the Independent Shareholders' approval.

As at the date of this announcement, China Potevio is the controlling shareholder of the Company holding 60% equity interest in the Company, and is also the controlling shareholder of Hangzhou HONYAR Electrical holding 51% equity interest in Hangzhou HONYAR Electrical. Therefore, Honyar Group is considered a connected person of the Group and transactions contemplated under the Honyar Framework Distribution Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under the Listing Rules for the Continuing Connected Transactions with Honyar Group exceeds 5% and the annual consideration of the Continuing Connected Transactions exceeds HK\$10,000,000, the Continuing Connected Transactions are required to comply with the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice of the Independent Financial Adviser to the Company's Independent Board Committee and the Independent Shareholders) have considered the Continuing Connected Transactions with Honyar Group and are of the view that the Continuing Connected Transactions are entered into in the ordinary and usual course of business of the Group, the terms of such transactions being fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole. The Board has approved to submit the Honyar Framework Distribution Agreement to the Shareholders at the 2015 AGM to consider and, if thought fit, approve the transactions contemplated thereunder.

An Independent Board Committee (comprising all three independent non-executive Directors) has been established to advise the Independent Shareholders as to whether the Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable, in the interests of the Company and its Shareholders as a whole, and how to vote on the 2015 AGM regarding the Honyar Framework Distribution Agreement and the transactions contemplated thereunder. Gram Capital has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this respect.

A circular containing, among other things, (i) information relating to the Continuing Connected Transactions; (ii) the advice from the Independent Board Committee to the Independent Shareholders in respect of the Continuing Connected Transactions; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee in respect of the Continuing Connected Transactions; and (iv) a supplementary notice of the 2015 AGM to be convened for the Shareholders, to approve the transactions contemplated under the Continuing Connected Transactions, is expected to be despatched to the Shareholders on or before 23 May 2016.

BACKGROUND

On 29 April 2016, the Company entered into the Honyar Framework Distribution Agreement with Hangzhou HONYAR Electrical for a term from the date of the Independent Shareholders' approval to 31 December 2017, in respect of the purchase of certain electrical products, lighting products, piping products and smart products, from Honyar Group to the Group, subject to the Independent Shareholders' approval.

The principal terms of the Honyar Framework Distribution Agreement are as follows:

- Date : 29 April 2016
- Parties : The Company and Hangzhou HONYAR Electrical
- Subject matter : During the tenure of the Honyar Framework Distribution Agreement, subject to the Shareholders' approval:
- (i) the Group shall be the sole distributor of the electrical products, lighting products, piping products and smart products of Honyar Group in the southwest region of the PRC;
 - (ii) the Group will enter into agreements with all customers of the electrical products, lighting products, piping products and smart products of Honyar Group in the southwest region of the PRC and purchase the relevant products from the Honyar Group from time to time.

The Group shall purchase certain electrical products, lighting products, piping products and smart products from Honyar Group as the sole distributor of the relevant products of Honyar Group in the southwest region of the PRC based on the requirements and demands of the customers from time to time during the tenure of the Honyar Framework Distribution Agreement, subject to the Shareholders' approval

Tenure : the date of the Independent Shareholders' approval to 31 December 2017

Pricing basis and payment terms

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

The selling prices of the electrical products, lighting products, piping products and smart products sold by Honyar Group to the Group are not fixed, to be determined in accordance with prevailing market prices that is comparable to the price offered to the Group by its other independent suppliers and are to be agreed between the parties. To ensure the selling prices and payment terms are not less favourable than the market standard, the Group will generally monitor the average market selling price of the relevant optical fiber preform and paints and payment terms offered to the Group by its independent third parties, and relevant quotations obtained in the market on a monthly basis. The Group will review the selling price and payment terms offered in every transaction with Honyar Group to ensure all transactions with Honyar Group will comply with the terms of the Honyar Framework Distribution Agreement.

Annual caps and basis of determination

As the transactions contemplated under the Honyar Framework Distribution Agreement represents a new business transactions between the Company and Hangzhou HONYAR Electrical, there is no historical transaction amount that is comparable to the annual caps contemplated under the Honyar Framework Distribution Agreement.

The table below sets out the proposed annual caps of the Continuing Connected Transactions under the Honyar Framework Distribution Agreement:

	Proposed annual caps for the years ended	
	31 December 2016	31 December 2017
	<i>(in RMB million)</i>	<i>(in RMB million)</i>
Purchase of certain electrical products, lighting products, piping products and smart products	40.0	90.0

The proposed annual caps of the transactions contemplated under the Honyar Framework Distribution Agreement has been determined with reference to the following factors:

- (i) the historical amount of the relevant sales of Honyar Group in the areas of Chengdu and Chongqing for the year ended 31 December 2015;
- (ii) the expected need for electrical products, lighting products, piping products and smart products from the Company will increase significantly due to the promotion of domestic infrastructure in the southwest region of the PRC;
- (iii) a buffer for any unanticipated fluctuations in forecast.

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice of the Independent Financial Adviser to the Company's Independent Board Committee and the Independent Shareholders) are of the view that the basis of determining the proposed annual cap are fair and reasonable.

Reasons for and the Benefit of the Honyar Framework Distribution Agreement

Honyar Group is a group primarily engaged in the manufacture and sale of lighting materials for private, commercial and industrial applications. As Honyar Group is a leader in providing electrical products, lighting products, piping products and smart products in the PRC, the Company intends to purchase from Honyar Group and resell its products as the sole distributor of Honyar Group in the southwest region of the PRC. Honyar Group is committed to designing and manufacturing innovative photoelectrical products and technologies, and as such the Group benefits from the potential expansion of client base and product variety by purchasing from and distributing for Honyar Group. Furthermore, as the demand of certain electrical products, lighting products, piping products and smart products in the PRC is higher than the supply available, the purchase of certain electrical products, lighting products, piping products and smart products from Honyar Group, whom has established an extensive domestic distribution network, can ensure stable supply of certain electrical products, lighting products, piping products and smart products to the Group.

LISTING RULES IMPLICATIONS

As at the date of this announcement, China Potevio is the controlling shareholder of the Company holding 60% equity interest in the Company, and is also the controlling shareholder of Hangzhou HONYAR Electrical holding 51% equity interest in Hangzhou HONYAR Electrical. Therefore, Honyar Group is considered a connected person of the Group and transactions contemplated under the Honyar Framework Distribution Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under the Listing Rules for the Continuing Connected Transactions with Honyar Group exceeds 5% and the annual consideration of the Continuing Connected Transactions exceeds HK\$10,000,000, the Continuing Connected Transactions are required to comply with the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Due to conflicts of interests, Mr. Zhang Xiaocheng who is a director of subsidiaries in Potevio Group, namely Eastern Communications Co., Ltd. (東方通信股份有限公司) and Shanghai Potevio Co., Ltd. (上海普天郵通科技股份有限公司), 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. Wang Feng who is a director of China PUTIAN Corporation and a director of subsidiaries of Potevio Group, namely Houma Putian Communications Cable Co., Ltd. (侯馬普天通信電纜有限公司), Eastern Communications Co., Ltd. (東方通信股份有限公司), Great Dragon Information Technology (Group) Co., Ltd. (巨龍資訊技術有限責任公司) and Jinde Town Putian Technology Co., Ltd. (景德鎮普天科技

有限公司), Mr. Han Shu who is a director of a subsidiary of Potevio Group, namely Nanjing Putian Telecommunications Co., Ltd. (南京普天通信股份有限公司), Ms. Xu Liying who holds the position of Deputy Manager of the Finance Department of China Potevio, and Mr. Fan Xu who holds the position of equity investment and financing manager of investment and financing development department of China Potevio, have abstained from voting on the relevant Board resolutions approving the Honyar Framework Distribution Agreement and the transactions contemplated thereunder. Save as disclosed above, no other Director has abstained from voting on the Board resolution approving the Honyar Framework Distribution Agreement and the transactions contemplated thereunder.

SHAREHOLDERS' GENERAL MEETING AND APPROVAL

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice of the Independent Financial Adviser to the Company's Independent Board Committee and the Independent Shareholders) are of the view that the Continuing Connected Transactions are entered into in the ordinary and usual course of business of the Group, fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

The Board has approved to submit the Honyar Framework Distribution Agreement to the Independent Shareholders at the 2015 AGM to consider and, if thought fit, approve the transactions contemplated thereunder. Potevio Group and its associates will abstain from voting on the resolutions to be proposed at the 2015 AGM in relation to the Honyar Framework Distribution Agreement.

An Independent Board Committee (comprising all three independent non-executive Directors) has been established to advise the Independent Shareholders as to whether the Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable, in the interests of the Company and its Shareholders as a whole, and how to vote on the 2015 AGM regarding the Honyar Framework Distribution Agreement and the transactions contemplated thereunder. Gram Capital has been appointed by the Company appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

A circular containing, among other things, (i) information relating to the Continuing Connected Transactions; (ii) the advice from the Independent Board Committee to the Independent Shareholders in respect of the Continuing Connected Transactions; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee in respect of the Continuing Connected Transactions; and (iv) a supplementary notice of the 2015 AGM to be convened for the Shareholders, to approve the transactions contemplated under the under the Continuing Connected Transactions, is expected to be despatched to the Shareholders on or before 23 May 2016.

GENERAL

The Group is principally engaged in the manufacture and sale of various types of telecommunication cables, optical fibers and cable joining sleeves.

Hangzhou HONYAR Electrical is primarily engaged in the manufacture and sale of electrical products, lighting products, piping products and smart products.

DEFINITIONS

“2015 AGM”	the annual general meeting of the Company to be convened and held on Friday, 24 June 2016 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 Continuing Connected Transactions
“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 Shares are listed on the main board of the Stock Exchange
“connected person”	has the same meaning as ascribed to it under the Listing Rules
“Continuing Connected Transactions”	the continuing connected transactions of the Group that occurred with Honyar Group pursuant to the Honyar Framework Distribution Agreement
“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
“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activities as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions;
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas-listed foreign shares in the ordinary share capital of the Company, with a RMB denominated par value of RMB1.00 each

“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Hangzhou HONYAR Electrical”	杭州鴻雁電器有限公司 (Hangzhou HONYAR Electrical Co., Limited*), a company incorporated in the PRC with limited liability and a non-wholly-owned subsidiary China Potevio
“Honyar Group”	Hangzhou HONYAR Electrical and its subsidiaries
“Honyar Framework Distribution Agreement”	the agreement entered into between the Company and 杭州鴻雁電器有限公司 (Hangzhou HONYAR Electrical Co., Limited*) on 28 April 2016, pursuant to which the Company has agreed to purchase certain electrical products, lighting products, piping products and smart products from Honyar Group based on the requirements and demands of the Group from time to time from the date of the Independent Shareholders’ approval to 31 December 2017
“Independent Board Committee”	an independent committee of the Board comprising Mr. Choy Sze Chung, Jojo, Mr. Xiao Xiaozhou and Mr. Lin Zulun (being all independent non-executive Directors) to advise the Independent Shareholders in respect of the Continuing Connected Transactions
“Independent Shareholders”	Shareholders other than Potevio Group
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Poterio Group”	中國普天信息產業集團 (China Putian Corporation*) and its subsidiaries but excluding the Group
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	Domestic Share(s) and/or H Share(s)
“Shareholder(s)”	the shareholder(s) of the Company

“Stock Exchange” the Stock Exchange of Hong Kong Limited

“%” per cent.

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

Chengdu, the PRC, 29 April 2016

* *For identification purposes only*

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

Executive Directors: Mr. Zhang Xiaocheng (*Chairman*)
Mr. Wang Micheng
Mr. Wang Feng
Mr. Han Shu
Ms. Xu Liying
Mr. Fan Xu

Independent non-executive Directors: Mr. Choy Sze Chung, Jojo
Mr. Lin Zulun
Mr. Xiao Xiaozhou