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If you are in any doubt as to any aspect of this 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 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 AGM IN RELATION TO**

- (1) REVISION OF ANNUAL CAPS FOR  
CONTINUING CONNECTED TRANSACTIONS  
UNDER THE POTEVIO FRAMEWORK SALES AGREEMENT;  
(2) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO  
THE HONYAR FRAMEWORK DISTRIBUTION AGREEMENT;  
(3) PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION;  
AND  
(4) SUPPLEMENTARY NOTICE OF THE 2015 AGM**

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



A letter from the Board (as defined herein) is set out on pages 5 to 20 of this supplementary circular (the “**Supplementary Circular**”). A letter from the Independent Board Committee (as defined herein) is set out on pages 21 to 22 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 23 to 37 of this Supplementary Circular.

This Supplementary Circular must be read together with the circular of the Company dated 26 April 2016. A supplementary notice convening the 2015 AGM (or any adjournment thereof) of the Company to be held at 10:00 a.m. 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 is set out on pages 41 to 43 of this Supplementary Circular. The supplementary notice of the 2015 AGM shall be read together with the notice of the 2015 AGM dated 26 April 2016.

The revised proxy form for use at the 2015 AGM 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 holders 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 holders 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 2015 AGM (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 2015 AGM or any adjournment if you so desire.

\* *For identification purposes only*

26 May 2016

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## DEFINITIONS

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

“2015 AGM”	the annual general meeting of the Company to be held at 10:00 a.m. 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
“Announcements”	the announcements dated 29 April 2016, 29 April 2016 and 13 May 2016 issued by the Company in relation to, among other things, the Revised Annual Caps for the Potevio Framework Sales Agreement, the transactions contemplated under the Honyar Framework Distribution Agreement and the proposed amendment to the Articles of Association, respectively
“Articles of Association”	the articles of association of the Company as amended from time to time
“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 established 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 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 and Hangzhou HONYAR Electrical pursuant to the Potevio Framework Sales Agreement and the Honyar Framework Distribution Agreement, respectively
“controlling shareholder(s)”	has the meanings ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

## DEFINITIONS

“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
“Existing Annual Caps”	the annual caps of the sales of certain wires, cables, optical fibers, telecommunication components and parts from the Group to the Potevio Group under the Potevio Framework Sales Agreement of RMB149.5 million and RMB171.9 million for the years ending 31 December 2016 and 2017, respectively
“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 SFO, 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
“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 central state-owned enterprise and non-wholly-owned subsidiary of 中國普天信息產業集團公司 (China PUTIAN Corporation*)
“Honyar Group”	Hangzhou HONYAR Electrical and its subsidiaries
“Honyar Framework Distribution Agreement”	the agreement entered into between the Company and Hangzhou HONYAR Electrical on 29 April 2016, pursuant to which the Company has agreed to be the sole distributor of the electrical products, lighting products, piping products and smart products of Hangzhou HONYAR in the southwest region of the PRC from the date of Independent Shareholders’ approval to 31 December 2017
“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
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

## DEFINITIONS

“Independent Board Committee”	an independent committee of the Board comprising Mr. Choy Sze Chung, Jojo, Mr. Lin Zulun and Mr. Xiao Xiaozhou (being all independent non-executive Directors) to advise the Independent Shareholders in respect of Revised Annual Caps for the Continuing Connected Transactions with Potevio Group and the Continuing Connected Transactions with Honyar Group
“Independent Shareholders”	Shareholders, other than Potevio Group
“Latest Practicable Date”	23 May 2016, 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
“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
“Revised Annual Caps”	the proposed revised annual cap of the sale of certain wires, cables, optical fibers, telecommunication components and parts from the Group to Potevio Group under the Potevio Framework Sales Agreement of RMB350.0 million and RMB325.0 million for the year ending 31 December 2016 and 2017, respectively
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	Domestic Share(s) and/or H Share(s)

## DEFINITIONS

“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meanings ascribed to it under the Listing Rules
“Supplemental 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 29 April 2016 to revise the Existing Annual Caps to the Revised Annual Caps
“%”	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  
Mr. Wang Feng  
Mr. Han Shu  
Ms. Xu Liying  
Mr. Fan Xu

*Independent Non-executive Directors:*

Mr. Choy Sze Chung, Jojo  
Mr. Xiao Xiaozhou  
Mr. Lin Zulun

*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

*Principal place of business  
in Hong Kong:*

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

26 May 2016

*To the Shareholders*

Dear Sirs,

**(1) REVISION OF ANNUAL CAPS FOR  
CONTINUING CONNECTED TRANSACTIONS  
UNDER THE POTEVIO FRAMEWORK SALES AGREEMENT;  
(2) CONTINUING CONNECTED TRANSACTIONS IN RELATION  
TO THE HONYAR FRAMEWORK DISTRIBUTION AGREEMENT; AND  
(3) PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION**

**INTRODUCTION**

Reference is made to the Announcements in relation to the Continuing Connected Transactions and the proposed amendment to the Articles of Association.

## LETTER FROM THE BOARD

The Company expects that the purchase volume of the Potevio Group and actual transaction amount of the continuing connected transactions under the Potevio Framework Sales Agreement will exceed the Existing Annual Caps. On 29 April 2016, the Company and Potevio Group entered into the Supplemental Agreement to revise the Existing Annual Caps to the Revised Annual Caps, subject to the Independent Shareholders' approval.

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.

On 29 April 2016, the Company entered into the Honyar Framework Distribution Agreement for a term from the date of the Independent Shareholders' approval to 31 December 2017, in respect of the distribution of the electrical products, lighting products, piping products and smart products of Honyar Group by the Group in the southwest region of the PRC, subject to the Shareholders' approval.

On 13 May 2016, the Board proposed to submit to the Shareholders for considering, and if thought fit, approving the amendment to Article 10 of the Articles of Association by way of a special resolution at 2015 AGM to set out the new scope of business of the Company in order to develop new business segments in accordance with the recent strategic business development of the Company.

The purpose of this Supplementary Circular is to provide you with information of, among other matters, (i) the information relating to each of the Continuing Connected Transactions, (ii) the details on the proposed amendment to the Articles of Association, (iii) the advice from the Independent Board Committee to the Independent Shareholders in respect of the Continuing Connected Transactions, (iv) the letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions, and (v) a supplementary notice of the 2015 AGM to be convened for the Independent Shareholders to consider if thought fit, to approve the Continuing Connected Transactions.



## LETTER FROM THE BOARD

### REVISION OF ANNUAL CAPS FOR THE POTEVIO FRAMEWORK SALES AGREEMENT

#### Potevio Framework Sales Agreement

References are made to the announcement of the Company dated 25 September 2015 and the circular of the Company dated 12 October 2015 regarding, among other matters, the continuing connected transactions under the 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 Potevio Group based on the requirements and demands of 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 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 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. To ensure the selling price and payment terms are not less favourable than the market standard, the Group will generally compare the average selling price of its products sold, the relevant payment terms offered to Potevio Group and the independent third parties of the Group or at least three relevant quotations obtained in the market on a monthly basis. The Group will review the selling price and payment terms offered of every transaction with Potevio Group ensure all transactions with Potevio Group will comply with the terms of the Potevio Framework Sales Agreement.

The transactions contemplated under the Potevio Framework Sales Agreement including the Existing Annual Caps were approved by the Independent Shareholders at the extraordinary general meeting of the Company on 12 November 2015.

## LETTER FROM THE BOARD

### Supplemental Agreement

The Company expects that the purchase volume of the Potevio Group and actual transaction amounts of the continuing connected transactions under the Potevio Framework Sales Agreement will exceed the Existing Annual Caps. On 29 April 2016, the Company and Potevio Group entered into the Supplemental Agreement to revise the Existing Annual Caps to the Revised Annual Caps, subject to the Independent Shareholders' approval.

The principal terms of the Supplemental Agreement are as follows:

Date	:	29 April 2016
Parties	:	The Company and 中國普天信息產業集團公司 (China PUTIAN Corporation*)
Subject matter	:	The Company and 中國普天信息產業集團公司 (China PUTIAN Corporation*) have agreed to revise the Existing Annual Caps to the Revised Annual Caps under the Potevio Framework Sales Agreement, subject to the Independent Shareholders' approval. Save as amended by the Supplemental Agreement, all other terms of the Potevio Framework Sales Agreement shall remain unchanged.

### Revised Annual Caps and Basis of Determination

The Existing Annual Caps and the Revised Annual Caps for the two years ending 31 December 2016 and 2017 respectively are set out in the table below:

For the year ending 31 December 2016 <i>(in RMB million)</i>		For the year ending 31 December 2017 <i>(in RMB million)</i>	
Existing Annual Cap	Revised Annual Cap	Existing Annual Cap	Revised Annual Cap
<u>149.5</u>	<u>350.0</u>	<u>171.9</u>	<u>325.0</u>

The Revised Annual Caps are determined with reference to the following factors:

- (i) the historical amount of approximately RMB45.44 million for the sale of optical fiber, optical cable and ancillary products by the Group to the Potevio Group from 1 January 2016 to 27 April 2016;
- (ii) the estimated demand of the Potevio Group for optical fiber, optical cable and ancillary products from the Group during the term of the Potevio Framework Sales Agreement as supplemented by the Supplemental Agreement for each the remaining period of 2016 and

## LETTER FROM THE BOARD

the year ending 31 December 2017 will increase significantly due to the successful tendering of optical fiber, optical cable and feed line for large-scale private sector contracts by the Potevio Group;

- (iii) the estimated selling price of optical fiber, optical cable and ancillary products to be charged by the Group, which is based on the forecast average market price of relevant products for the remaining period of 2016 and the year of ending 31 December 2017, will remain stable; and
- (iv) a buffer of approximately 4% for any unanticipated fluctuations in estimated demand and forecast market price of the relevant products.

The Directors are of the view that the basis of determining the Revised Annual Caps are fair and reasonable.

### **Reasons for and the Benefit of the Revision of the Annual Caps**

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.

As disclosed in the circular dated 12 October 2015, by supplying the Group's 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.

The Directors have been carefully monitoring the historical transacted amount and estimated demand of Potevio Group regarding the continuing connected transactions under the Potevio Framework Sales Agreement. As Potevio Group had successfully tendered for a number of private sector contracts, the Directors expect the market demand in 2016 and 2017 respectively for the optical fiber, optical cable and ancillary products distributed by Potevio Group to exceed the expectation of the Company and the Group expects to supply more relevant to satisfy such demand.

Based on the historical transaction amount of the relevant transactions under the Potevio Framework Sales Agreement and the anticipated continuing growth in products supplied by Potevio Group, the Directors are of the view that the aggregate value of the continuing connected transactions under the Potevio Framework Sales Agreement for the years ending 31 December 2016 and 2017 respectively would exceed the Existing Annual Caps. The Directors therefore propose to revise the Existing Annual Caps to the Revised Annual Caps.

## LETTER FROM THE BOARD

The Directors consider that Supplemental Agreement and the transactions (including the Revised Annual Caps) contemplated thereunder are entered into 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 Shareholders as a whole. The Directors have determined that the Revised Annual Caps for the aggregate value of the continuing connected transactions to Potevio Group from the Group pursuant to the Potevio Framework Sales Agreement (as supplemented by the Supplemental Agreement) are fair and reasonable.

### **Internal Control Measures**

In order to secure the Shareholders' interests and ensure the terms of the Potevio Framework Sales Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder and the Revised Annual Caps are on normal commercial terms or terms not more favourable than those available to independent third parties, the Company has adopted the following internal control measures:

- (i) all the orders under the Potevio Framework Sales Agreement will be reviewed and approved by the legal and audit supervisory department and the relevant sales department of the Group to ensure the terms of the orders are in compliance with the Potevio Framework Sales Agreement (as supplemented by the Supplemental Agreement);
- (ii) the relevant sales department of the Group will review the selling price and payment terms of every transaction under the Potevio Framework Sales Agreement by comparing the average selling price of its products sold and the relevant payment terms offered to Potevio Group and the independent third parties of the Group with at least three relevant quotations obtained in the market on a monthly basis;
- (iii) the Group will not sell any products under Potevio Framework Sales Agreement (as supplemented by the Supplemental Agreement) if the selling price is less favourable than those offered to independent third parties;
- (iv) the investment management department of the Group will monitor the Revised Annual Caps on a monthly basis to ensure the Revised Annual Caps will not be exceeded; and
- (v) the independent non-executive Directors and the external auditors of our Group will continue to review the transactions contemplated under the Potevio Framework Sales Agreement (as supplemented by the Supplemental Agreement) and the Revised Annual Cap annually.

## LETTER FROM THE BOARD

### HONYAR FRAMEWORK DISTRIBUTION AGREEMENT

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 Independent 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; and
- (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 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 Independent 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 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 purchase prices of the electrical products, lighting products, piping products and smart products purchased by the Group from the Honyar Group are not fixed and to be determined in accordance with prevailing market prices that are comparable to the price offered to the Group by its other independent suppliers with similar transaction volume and to be agreed between the parties. To ensure the purchase price and payment terms are not less favourable than the market

## LETTER FROM THE BOARD

standard, the Group will compare the average purchase price of its products purchased from and the relevant payment terms offered by the Honyar 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 with similar transaction volume. The Group will review the purchase price and payment terms offered of every transaction with the Honyar Group to ensure all transactions with the 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 historical amounts and the proposed annual caps under the Honyar Framework Distribution Agreement:

	Proposed annual caps for the years ending 31 December (in RMB million)	
	2016	2017
1. Purchase of electrical products, lighting products, piping products and smart products	40.0	90.0

The proposed annual caps of the transaction contemplated thereunder the Honyar Framework Distribution Agreement have been determined with reference to the following factors:

- (i) the historical amount of approximately RMB24 million for the sales of the relevant products of Honyar Group in the areas of Chengdu and Chongqing for the year ended 31 December 2015;
- (ii) an expected growth of sales of 15% for the relevant products of Honyar Group in the areas of Chengdu and Chongqing for the years ending 31 December 2016 and 2017;
- (iii) the expected need for electrical products, lighting products, piping products and smart products from the Company will increase significantly due to the strategic cooperation agreement entered into between China Potevio and the local government and the promotion of domestic infrastructure in the southwest region of the PRC; and
- (iv) a buffer of 10% for any unanticipated fluctuations in forecast.

The Directors are of the view that the basis of determining the proposed annual caps are fair and reasonable.

## LETTER FROM THE BOARD

### **Reasons for and the Benefit of the Honyar Framework Distribution Agreement**

Honyar Group is a group primarily involved in various industries including lighting materials for private, commercial and industrial applications. As Hangzhou HONYAR Electrical is a leader in providing electrical products, lighting products, piping products and smart products in the PRC, the Company intends to purchase from the 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. In addition to the experienced sales team and well-established client network of the Group in the southwest region of the PRC, the Group aims to allocate a sales centre and a warehouse for the products of Honyar Group. As the Honyar Group is primarily based in the Southeast China, by engaging the Group as its sole distributor in the southwest region of the PRC, Honyar Group will benefit from the reduction of delivery costs and warehouse management costs, improvement of delivery time and potential increase of sales of the relevant products made by the customers whom Honyar Group would have difficulty in accessing directly due to the geographical restrictions and/or through the effort of the experience sales team of the Group. Furthermore, as the demand of electrical products, lighting products, piping products and smart products in the PRC is higher than the supply available, the purchase of 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 electrical products, lighting products, piping products and smart products to the Group for sale of the relevant products to the Group's customers in the southwest region of the PRC.

### **Internal Control Measures**

In order to secure the Shareholders' interests and ensure the terms of the Honyar Framework Distribution Agreement and the transactions contemplated thereunder are on normal commercial terms or terms not more favourable than those available to independent third parties, the Company has adopted the following internal control measures:

- (i) all the orders under the Honyar Framework Distribution Agreement will be reviewed and approved by the legal and audit supervisory department and the relevant sales department of the Group to ensure the terms of the orders are in compliance with the Honyar Framework Distribution Agreement;
- (ii) the relevant sales department of the Group will review the purchase price and payment terms of every transaction under the Honyar Framework Distribution Agreement by comparing the average purchase price of its products purchased by and the relevant payment terms offered to Honyar Group and the independent third parties of the Group with at least three relevant quotations obtained in the market on a monthly basis;
- (iii) the Group will not purchase any products under Honyar Framework Distribution Agreement if the selling price is less favourable than those offered by independent third parties;

## LETTER FROM THE BOARD

- (iv) the investment management department of the Group will monitor the annual caps under the Honyar Framework Distribution Agreement on a monthly basis to ensure such annual caps will not be exceeded; and
- (v) the independent non-executive Directors and the external auditors of our Group will continue to review the transactions contemplated under the Honyar Framework Distribution Agreement and the relevant annual caps annually.

### PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

On 13 May 2016, the Board proposed to submit to the Shareholders for considering, and if thought fit, approving the amendment to Article 10 of the Articles of Association by way of a special resolution at 2015 AGM to set out the new scope of business of the Company in order to develop new business segments in accordance with the recent strategic business development of the Company.

The proposed amendment to Article 10 of the Articles of Association is as follows:

#### **Original text of Article 10**

*“The scope of business of the Company shall be based on the items approved by the company registration authorities.*

*Scope of business of the Company: technological research and development, product manufacturing, sales and services of wires and cables, optical fibres and optical cables, specialized materials used for cables, irradiation processing, cable accessories, specialized facilities and equipment and the equipment and facilities for various information industry products (excluding products restricted and prohibited by the State); import and export, wholesaling and retailing and commission agency (excluding auction) of commodities with respect to the aforesaid products; wholesaling and retailing and commission agency (excluding auction) of domestically procured commodities (excluding specialized commodities), technical consultancy and provision of technological services.”*



## LETTER FROM THE BOARD

**shall be deleted in its entirety and be substituted by the new Article 10 as follows:**

*“The scope of business of the Company shall be based on the items approved by the company registration authorities.*

*Scope of business of the Company:*

*Manufacturing: wires and cables, optical fibres and optical cables, specialized materials used for cables, irradiation processing, cable accessories, specialized facilities and equipment and the equipment and facilities for various information industry products (excluding products restricted and prohibited by the State);*

*Design and installation: city and road lighting construction, construction and renovation works for buildings, fire safety facilities construction, electromechanical equipment installation, electroweak system engineering for buildings in small regions, computer network engineering and communication equipment engineering (excluding contracted work for power facilities installation (repair & test));*

*Wholesale and retail: domestically procured commodities (excluding specialized commodities), commodities under the same category of manufacturing products, connectors and widgets, lighting, lights, LED lighting equipment, wires and cables, low-voltage electrical appliances and parts, electricity data loggers, automatic meters, switchbox set, electroweak equipment, communication equipment, electronic equipment, measuring instruments and meters for electricity and communication, electronic components, computer and automation equipment for offices, electromechanical equipment, decorative materials, metallic materials, metals and electrical products, plastics ducts and parts, chemical products (excluding dangerous chemicals and poisonous chemicals) and other products;*

*Services: housing, leasing of equipment, housing managements fees, installation and maintenance work for electricity, commission agent (excluding auctioned products), technical consultancy, technical service, import and export of goods, technology development, transfer, consultancy and service for electrical appliances;*

*Scope of business of the branch offices: any legal projects other than the ones requiring special approval.”*

The English version of the above proposed amendment to the Articles of Association is an unofficial translation of its Chinese version. In case of any discrepancy between the two versions, the Chinese version shall prevail. The proposed amendment to the Articles of Association is subject to the approval of the Shareholders by way of passing a special resolution at the 2015 AGM, the other provisions of the Articles of Association remain unchanged.

## LETTER FROM THE BOARD

The Hong Kong and PRC legal advisors of the Company have confirmed that the proposed amendment to the Articles of Association complies with the relevant provisions of the Listing Rules and does not violate the applicable laws of the PRC respectively. The Directors have also confirmed that there is nothing unusual about the proposed amendment to the Articles of Association.

### 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. 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 between the Group and Honyar Group constitute connected transactions of the Company.

As one or more of the applicable percentage ratios under the Listing Rules for the Revised Annual Caps are expected to exceed 5% and the annual consideration is expected to exceed HK\$10,000,000, the transactions under the Potevio Framework Sales Agreement (as supplemented by the Supplemental Agreement) are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements 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 transactions contemplated under the Honyar Framework Distribution Agreement are required to comply with the reporting, annual review, announcement, and Independent Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Due to conflict 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 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 Board resolution

## **LETTER FROM THE BOARD**

approving the Revised Annual Cap for the Potevio Framework Sales Agreement and the continuing connected transactions contemplated under the Honyar Framework Distribution Agreement. Save as disclosed above, no other Director has abstained from voting on the Board resolution approving the Continuing Connected Transactions and the Board has resolved to approve the Continuing Connected Transactions.

The independent non-executive Directors came to agree with the views expressed by the Board that the 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.

In accordance with the Listing Rules, any Shareholder with a material interest in the Continuing Connected Transactions and its associates are required to abstain from voting at the 2015 AGM. China Potevio, a controlling shareholder holding 60% of the equity interest of the Company and a controlling shareholder holding 51% of the equity interest of Hangzhou HONYAR Electrical, and their respective associates are required to abstain from voting on the resolutions relating to the approval of the Revised Annual Caps and the transactions contemplated under the Honyar Framework Distribution Agreement and the respective transactions contemplated thereunder at the 2015 AGM.

### **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.

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

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 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 the Shareholders as a whole, and how to vote on the 2015 AGM regarding the Revised Annual Caps, 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 regard.

## LETTER FROM THE BOARD

### 2015 AGM

A supplementary notice convening the 2015 AGM is set out on pages 41 to 43 of this Supplementary Circular. Ordinary resolutions in respect of approving the Revised Annual Caps under the Potevio Framework Sales Agreement and approving the transactions contemplated under the Honyar Framework Distribution Agreement and special resolution in respect of the proposed amendment to the Articles of Association will be proposed. China Potevio, the controlling shareholder of the Company and also a controlling shareholder of Hangzhuo HONYAR Electrical, shall abstain from voting in connection with the resolution approving the Revised Annual Caps under the Potevio Framework Sales Agreement and approving the transactions contemplated under the Honyar Framework Distribution 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 the Revised Annual Caps under the Potevio Framework Sales Agreement and approving the transactions contemplated under the Honyar Framework Distribution Agreement at the 2015 AGM pursuant to Rule 14A.36 of the Listing Rules.

The form of proxy which relates to the resolutions set out in the notice of 2015 AGM and is despatched along with the circular of the Company dated 26 April 2016 (the "**Original Proxy Form**") does not include the new ordinary resolutions 8 to 9 and the new special resolution (2) 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 2015 AGM 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 the 2015 AGM (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 2015 AGM 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

## **LETTER FROM THE BOARD**

entitled to vote or abstain from voting at his/her discretion on any resolutions properly and duly put to the 2015 AGM other than those instructed in the Original Proxy Form, including the new ordinary resolutions 8 to 9 and the new special resolution (2) 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 2015 AGM, 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 2015 AGM, 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 21 to 22 of this Supplementary Circular which contains its recommendation to the Independent Shareholders in relation to the Revised Annual Caps under the Potevio Framework Sales Agreement and the transactions contemplated under the Honyar Framework Distribution Agreement. Your attention is also drawn to the letter of advice from Gram Capital set out from pages 23 to 37 of this Supplementary Circular which contains its advice and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Revised Annual Caps under the Potevio Framework Sales Agreement and the transactions contemplated under the Honyar Framework Distribution 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 Gram Capital set out in its letter of advice on pages 21 to 22 of this Supplementary Circular, is in the opinion that the Revised Annual Caps under the Potevio Framework Sales Agreement 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

## LETTER FROM THE BOARD

Independent Shareholders vote in favour of the resolutions to be proposed at the 2015 AGM to approve the Revised Annual Caps under the Potevio Framework Sales Agreement and the Honyar Framework Distribution 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)

26 May 2016

*To the Independent Shareholders*

Dear Sirs or Madam,

**REVISION OF ANNUAL CAPS FOR  
CONTINUING CONNECTED TRANSACTIONS  
UNDER THE POTEVIO FRAMEWORK SALES AGREEMENT  
AND  
CONTINUING CONNECTED TRANSACTIONS IN RELATION  
TO THE HONYAR FRAMEWORK DISTRIBUTION AGREEMENT**

We refer to the supplementary circular dated 26 May 2016 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 Revised Annual Caps under the Potevio Framework Sales Agreement and the Honyar Framework Distribution Agreement and the transactions contemplated thereunder and to advise the Independent Shareholders as to the fairness and reasonableness of the same. Gram 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 20 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 Revised Annual Caps under the Potevio Framework Sales Agreement and the Honyar Framework Distribution Agreement and the transactions contemplated thereunder as set out on pages 23 to 37 of the Supplementary Circular.

Having considered the basis of the Revised Annual Caps under the Potevio Framework Sales Agreement and the terms of the Honyar Framework Distribution Agreement and the principal reasons and factors considered by and the advice of the Independent Financial Adviser in relation thereto as set out on pages 23 to 37 of the Supplementary Circular, we are of the opinion that the Revised Annual Caps under the Potevio Framework Sales Agreement and the Honyar Framework

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

Distribution Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the 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 2015 AGM to approve the Revised Annual Caps under the Potevio Framework Sales Agreement and the Honyar Framework Distribution Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee

**Mr. Choy Sze Chung Jojo   Mr. Xiao Xiaozhou   Mr. Lin Zulun**

*Independent Non-executive Directors*

\* *For identification purposes only*



## LETTER FROM GRAM CAPITAL

*Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Agreement, the Honyar Framework Distribution Agreement and the transactions contemplated thereunder for the purpose of inclusion in this circular.*



Room 1209, 12/F.  
Nan Fung Tower  
88 Connaught Road Central/  
173 Des Voeux Road Central  
Hong Kong

26 May 2016

To: *The independent board committee and the independent shareholders  
of Chengdu PUTIAN Telecommunications Cable Company Limited*

Dear Sirs,

**(i) REVISION OF ANNUAL CAPS FOR THE  
CONTINUING CONNECTED TRANSACTIONS  
UNDER THE POTEVIO FRAMEWORK SALES AGREEMENT; AND  
(ii) CONTINUING CONNECTED TRANSACTION IN RELATION  
TO THE HONYAR FRAMEWORK DISTRIBUTION AGREEMENT**

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Supplemental Agreement and the Honyar Framework Distribution Agreement, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 26 May 2016 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

With reference to the announcement and circular of the Company dated 25 September 2015 and 12 October 2015 respectively in relation to, amongst others, the continuing connected transaction with Potevio Group for the sales of certain wires, cables, optical fibers, telecommunication components and parts from the Group to Potevio Group (the “**Potevio CCT**”) for a term of three years commencing from 1 January 2015 pursuant to the Potevio Framework Sales Agreement. The Company expects that the purchase volume of Potevio Group and actual transaction amount of the Potevio CCT under the Potevio Framework Sales Agreement will exceed the Existing Annual Caps. On 29 April 2016, the Company and China PUTIAN Corporation entered into the Supplemental Agreement to revise the Existing Annual Caps to the Revised Annual Caps, subject to the Independent Shareholders’ approval.

## LETTER FROM GRAM CAPITAL

On the even date, 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 (the "**Honyar CCT**"), subject to the Independent Shareholders' approval.

With reference to the Board Letter, both China PUTIAN Corporation and Hangzhou HONYAR Electrical are connected persons of the Company and the Potevio CCT and the Honyar CCT constitute continuing 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 Potevio CCT and the Honyar CCT exceed 5% and the annual consideration exceed HK\$10,000,000, the Company is required to comply with the reporting, annual review, announcement, and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Choy Sze Chung, Jojo, Mr. Xiao Xiaozhou and Mr. Lin Zulun (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Supplemental Agreement and the Honyar Framework Distribution Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Potevio CCT and Honyar CCT are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Supplemental Agreement, the Honyar Framework Distribution Agreement and the transactions contemplated thereunder at the 2015 AGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

### OUR INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Mr. Graham Lam was responsible for an independent financial adviser engagement with the Company from May 2014 to June 2014 regarding a proposed connected transaction (the "**Proposed Transaction**"). The Company decided not to proceed with the Proposed Transaction in June 2014. Notwithstanding the aforesaid past engagement, as at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Potevio CCT and Honyar CCT.

Besides that, apart from the advisory fee and expenses payable to us in connection with our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

### BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the

## LETTER FROM GRAM CAPITAL

Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Supplemental Agreement and the Honyar Framework Distribution Agreement. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the 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 in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Potevio Group, China PUTIAN Corporation, Hangzhou HONYAR Electrical or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the entering into of the Supplemental Agreement and the Honyar Framework Distribution Agreement. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion in respect of the Supplemental Agreement, the Honyar Framework Distribution Agreement and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

## LETTER FROM GRAM CAPITAL

### Information on the Group

With reference to the Board Letter, the Group is principally engaged in the manufactured and sale of various types of telecommunication cables, optical fibres and cable joining sleeves.

Set out below are the consolidated financial information of the Group for the two years ended 31 December 2015 as extracted from the annual report of the Company for the year ended 31 December 2015 (the “**2015 Annual Report**”):

	<b>For the year ended 31 December 2015</b>	<b>For the year ended 31 December 2014</b>	<b>Change from 2014 to 2015</b>
	<i>(audited)</i>	<i>(audited)</i>	
	<i>RMB' million</i>	<i>RMB' million</i>	<i>%</i>
Total operating revenue	1,209.52	945.46	27.93
Net loss for the year	(43.09)	(40.98)	5.15

As illustrated in the above table, during the year ended 31 December 2015, the total operating revenue of the Group experienced a substantial growth and amounted to approximately RMB1,209.52 million, representing an increase of approximately 27.93% as compared to the prior year. The growth was mainly driven by the increase in sales of (i) copper cables and related products; and (ii) optical cable and related products. Despite the increase in revenue from main operation in 2015, the Group recorded an increase of approximately 5.15% in net loss from 2014 to 2015. As advised by the Directors, the increase in net loss in 2015 was mainly due to the increase in assets impairment loss in 2015 as compared to that in 2014.

With reference to the 2015 Annual Report, to pursue the principles of optimal innovation, integration and capital management, the Company will strive for efficient implementation of business strategies, better market synergy effects and effective sharing of resources. Operation of major projects will be refined to boost business development. The Company will also enhance its business advantages and competitiveness. Furthermore, the Company will continue its efforts in the development of optical telecommunication business. The optical telecommunication business keeps growing and maintains business chain development. The Company will continue its market integration and sustainable development to ensure shareholders' return. Market development of products with higher gross margin will be strengthened to boost sales in these markets so as to increase the overall profitability, operation effectiveness and marketization of the Company.

### Information on Potevio Group

With reference to the Board Letter, 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 Potevio Group have built a good working relationship with the regional telecommunications operators over the years.

## LETTER FROM GRAM CAPITAL

### **Information on the Hangzhou HONYAR Electrical**

With reference to the Board Letter, Hangzhou HONYAR Electrical is primarily engaged in the manufacture and sale of electrical products, lighting products, piping products and smart products.

### **A. THE SUPPLEMENTAL AGREEMENT**

#### **Background of and reasons for Annual Caps Revision**

According to the Circular dated 12 October 2015, by supplying the Group's products to 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.

With reference to the Board Letter, the Directors have been carefully monitoring the historical transacted amount and estimated demand of Potevio Group regarding the Continuing Connected Transaction. As the Directors expect the market demand in 2016 and 2017 respectively for the optical fiber, optical cable and ancillary products distributed by Potevio Group to exceed the expectation of the Company, the Company expects to supply more products to satisfy such demand.

Based on the Company's management accounts, the historical transaction amount under the Potevio Framework Sales Agreement and the anticipated continuing growth in products supplied by Potevio Group, the Directors are of the view that the aggregate value of the Potevio CCT for the years ending 31 December 2016 and 2017 respectively would exceed the 2016 Approved Annual Cap and 2017 Approved Annual Cap respectively. The Directors therefore propose to revise and approve the 2016 Approved Annual Cap and the 2017 Approved Annual Cap respectively.

In view of the above and the recent growth in sales of optical cable and related products, we concur with the Directors that the Annual Caps Revision and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

#### **The Revised Annual Caps of the Supplemental Agreement**

On 29 April 2016, the Company and Potevio Group entered into the Supplemental Agreement to revise the Approved Annual Caps for the two years ending 31 December 2017. As confirmed by the Directors, save and except for the revision of the Existing Annual Caps, all other terms and conditions under the Supplemental Sale Agreement shall remain effective and unchanged.

## LETTER FROM GRAM CAPITAL

The principal terms of the Supplemental Agreement are as follows:

Date: 29 April 2016

Parties: The Company and China PUTIAN Corporation

Subject matter: The Company and China PUTIAN Corporation have agreed to revise the Existing Annual Caps to the Revised Annual Caps under the Potevio Framework Sales Agreement, subject to the Independent Shareholders' approval. Save as amended by the Supplemental Agreement, all other terms of the Potevio Framework Sales Agreement shall remain unchanged.

### *Internal control*

With reference to the Board Letter, the transactions under the Potevio Framework Sales Agreement (as supplemented by the Supplemental 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. To ensure the selling price and payment terms are not less favourable than the market standard, the Group will generally compare the average selling price of its products sold, the relevant payment terms offered to Potevio Group and the independent third parties of the Group or at least three relevant quotations obtained in the market on a monthly basis. The Group will review the selling price and payment terms offered of every transaction with Potevio Group ensure all transactions with Potevio Group will comply with the terms of the Potevio Framework Sales Agreement.

Taking into account the above that (i) sales department of the Group will compare the average selling price of products to be and the relevant payment terms offered to the Potevio Group and the Independent third parties on a monthly basis with at least three relevant quotations obtained; (ii) the investment management department of the Company will monitor the transactions amount of the Potevio CCT on a monthly basis to ensure the proposed annual caps will not be exceeded; (iii) the Company will not sell any product under the Potevio Framework Sales Agreement (as supplemented by the Supplemental Agreement) if the selling price is less favourable than that those offered to independent third parties; (iv) independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transactions; and (v) auditors of the Company will perform evaluation and review on the internal control measures of the Company and review

## LETTER FROM GRAM CAPITAL

transactions contemplated under the Potevio Framework Sales Agreement (as supplemented by the Supplemental Agreement) annually, we consider that the effective implementation of the internal control measures would help to ensure fair pricing of the transactions contemplated under the Potevio Framework Sales Agreement (as supplemented by the Supplemental Agreement) according to the pricing policies.

### *Proposed annual caps*

According to the Board Letter, the historical amounts of the actual transactions, the Approved Annual Caps and the Revised Annual Caps for the two years ended 31 December 2016 and 2017 respectively are set out as follows:

	<b>For the year ending 31 December 2016</b>	<b>For the year ending 31 December 2017</b>
<b>Approved Annual Caps (in RMB million)</b>	149.5	171.9
<b>Revised Annual Caps (in RMB million)</b>	350.0	325.0

With reference to the Board Letter, the Revised Annual Caps are determined with reference to the following factors:

- (i) the historical amount of relevant transactions with Potevio Group from 1 January 2016 to the 27 April 2016;
- (ii) the estimated demand of Potevio Group for optical fiber, optical cable and ancillary products from the Group will increase significantly due to the successful tendering of optical fiber, optical cable and feed line for private sector contracts by Potevio Group;
- (iii) the estimated selling prices of optical fiber, optical cable and ancillary products to be charged by the Group, which are based on the forecast average market price of relevant products for the remaining period of 2016 and the year of ending 31 December 2017 will remain stable; and
- (iv) a buffer for any unanticipated fluctuations in estimated demand and forecast market price of the relevant products.

For our due diligence purpose, we have obtained and reviewed a list (the “**Potevio List**”) for the determination of the Revised Annual Caps for the two years ending 31 December 2017, showing (i) category of products (the “**Products**”) to be provided by the Group to Potevio Group in 2016 and 2017; (ii) the estimated demand of Potevio Group for each category of products; and (iii) the estimated unit price of each category of products, which the Revised Annual Caps are to cater for.



## LETTER FROM GRAM CAPITAL

With reference to the above table, the Revised Annual Caps representing a substantial increase as compared to the Approved Annual Caps. We have enquired into the Directors in this regard and understood from the Directors that the estimated demand of Potevio Group for optical fiber, optical cable and ancillary products from the Group may increase significantly due to the successful tendering for private sector contracts by Potevio Group. For our due diligence purpose, we have searched over internet and found three notices for the results of tendering as published on the website of 中國移動採購與招標網 (China Mobile Purchase and Tendering Website\*, <http://b2b.10086.cn>) dated 30 October 2015, 31 December 2015 and 31 December 2015 respectively, showing the name lists of successful tendering on, among other things (i) optical fiber, (ii) feed line (饋線); and (iii) jumpwire (饋線跳線). According to the notices for the results of tendering on optical fiber, China Potevio won 3.31% shares of the tender. According to the relevant tender notice dated 21 August 2015, the demand on optical fiber by China Mobile in 2015–2016 is approximately 88.745 million kilometers (calculated by length of core cable (芯長)) or approximately 3.0701 million kilometers (as calculated by length of cable (皮長)).

According to the Potevio List, the estimated demand on optical cable represents approximately 57.2% of the demand on the Products. Furthermore, according to the 2015 Annual Report, the growth in the revenue derived from optical cable and related products for the year ended 31 December 2015 increased by approximately 35.98% as compared to that for the year ended 31 December 2014.

Furthermore, we have also obtained market price of certain Products and noted that the forecast average market price of the Products are in line with the market price.

According to the Potevio List, we noted that the Company has applied a buffer of approximately 4% as an assumption for the determination of the Revised Annual Caps. Having considered that the additional buffer was applied for unforeseeable circumstances, for instance, (a) the unpredictable increase in material cost of the Products; and (b) the unexpected increase in demand of Potevio Group for the Products, we consider that a buffer of approximately 4% is acceptable.

In light of the above factors, we consider that the the terms of the Supplemental Agreement (including the Revised Annual Caps ) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

Shareholders should note that as the Revised Annual Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2017, and they do not represent forecasts of revenue/income/cost to be incurred from the transactions contemplated under the Supplemental Agreement. Consequently, we express no opinion as to how closely the actual revenue/income to be incurred from the transactions contemplated under the Potevio Framework Sales Agreement (as supplemented by the Supplemental Agreement) will correspond with the Revised Annual Caps.



**Listing Rules implication**

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the continuing connected transaction must be restricted by the Revised Annual Caps for the year ending 31 December 2017; (ii) the terms of the Potevio Framework Sales Agreement (as supplemented by the Supplemental Agreement) (including the Revised Annual Caps) must be reviewed by the independent non-executive Directors annually; and (iii) details of the independent non-executive Directors' annual review on the terms of the Potevio Framework Sales Agreement (as supplemented by the Supplemental Agreement) must be included in the Company's subsequent published annual reports and financial accounts. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, that the continuing connected transaction are carried out in accordance with the pricing policies of the Company, and the Revised Annual Caps are not being exceeded. In the event that the total amounts of the continuing connected transactions are anticipated to exceed the Revised Annual Caps, or that there is any proposed material amendment to the terms of the Potevio Framework Sales Agreement (as supplemented by the Supplemental Agreement), the Company, as confirmed by the Directors, shall re-comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

Given the above stipulated requirements for continuing connected transaction pursuant to the Listing Rules by the Company, we are of the view that there are adequate measures in place to monitor the continuing connected transaction (together with the Revised Annual Caps) and hence the interest of the Independent Shareholders would be safeguarded.

**Recommendation**

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Supplemental Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Annual Caps Revision is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the 2015 AGM to approve the Supplemental Agreement and the Annual Cap Revision, and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

**B. THE HONYAR FRAMEWORK DISTRIBUTION AGREEMENT**

**Background of and reasons for the Honyar Framework Distribution Agreement**

With reference to the Board Letter, Honyar Group is a group primarily involved in various industries including lighting materials for private, commercial and industrial applications. As Hangzhou HONYAR Electrical is a leader in providing electrical products, lighting products, piping products and smart products in the PRC, the Company intends to

## LETTER FROM GRAM CAPITAL

purchase from the 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. In addition to the experienced sales team and well-established client network of the Group in the southwest region of the PRC, the Group aims to allocate a sales centre and a warehouse for the distribution of products of Honyar Group. As Honyar Group is primarily based in southeast China, by engaging the Group as its sole distributor in the southwest region of the PRC, Honyar Group will benefit from the reduction of delivery and warehouse management costs, improvement of delivery time and potential increase of sales of the relevant products made by the customers in the southwest region of the PRC whom Honyar Group would have difficulty in accessing directly due to the geographical restrictions and/or through the effort of the experience sales team of the Group. Furthermore, as the demand of electrical products, lighting products, piping products and smart products in the PRC is higher than the supply available, the purchase of 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 electrical products, lighting products, piping products and smart products to the Group for sale of the relevant products to the Group's customers in the southwest region of the PRC.

Having considered the above reasons, we concur with the Directors that the Honyar CCT is in the interests of the Company and the Shareholders as a whole and will be conducted in the ordinary and usual course of business of the Group.

### **Principle terms of the Honyar Framework Distribution Agreement**

Date: 29 April 2016

Parties: The Company and 杭州鴻雁電器有限公司 (Hangzhou HONYAR Electrical Co., Limited\*)

Subject matter: During the tenure of the Honyar Framework Distribution Agreement, subject to the Independent 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; and
- (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.

## LETTER FROM GRAM CAPITAL

The Group shall purchase 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 Independent Shareholders' approval.

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

### **Pricing basis and payment terms**

With reference to the Board Letter, the transactions under the Honyar Framework Distribution 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 purchase prices of the electrical products, lighting products, piping products and smart products purchased by the Group from the Honyar Group are not fixed and to be determined in accordance with prevailing market prices that are comparable to the price offered by its other independent customers to the Group with similar transaction volume and to be agreed between the parties. To ensure the purchase price and payment terms are not less favourable than the market standard, the Group will compare the average purchase price of its products purchased from and the relevant payment terms offered by the Honyar 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 with similar transaction volume. The Group will review the purchase price and payment terms offered of every transaction with the Honyar Group to ensure all transactions with the Honyar Group will comply with the terms of the Honyar Framework Distribution Agreement.

Taking into account the above that (i) sales department of the Group will compare the average purchase price of its products purchased from and the relevant payment terms offered by the Honyan Group and the independent third parties on a monthly basis with at least three relevant quotations obtained; (ii) the investment management department of the Company will monitor the transactions amount of the Honyar CCT on a monthly basis to ensure the proposed annual caps will not be exceeded; (iii) the Company will not purchase any product under the Honyar Framework Distribution Agreement if the purchase price is less favourable than that those offered by independent third parties; (iv) independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transactions; and (v) auditors of the Company will perform evaluation and review on the internal control measures of the Company and review transactions contemplated under the Honyar Framework Distribution Agreement annually, we consider that the effective implementation of the internal control measures would help to ensure fair pricing of the transactions contemplated under the Honyar Framework Distribution Agreement according to the pricing policies.

## LETTER FROM GRAM CAPITAL

### Annual caps and basis of determination

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

	<b>Proposed annual caps for the year ending 31 December</b>	
	<i>(RMB' million)</i>	
	<b>2016</b>	<b>2017</b>
Purchase of electrical products, lighting products, piping products and smart products (the “ <b>Honyar Products</b> ”)	40.0	90.0

The proposed annual caps of the transaction contemplated thereunder the Honyar Framework Distribution Agreement have been worked out with reference to the following factors:

- (i) the historical amount of approximately RMB24 million for the sales of the relevant products of Honyar Group in the areas of Chengdu and Chongqing for the year ended 31 December 2015;
- (ii) an expected growth of sales of 15% for the relevant products of Honyar Group in the areas of Chengdu and Chongqing for the years ending 31 December 2016 and 2017;
- (iii) the expected need for electrical products, lighting products, piping products and smart products from the Company will increase significantly due to the strategic cooperation agreement entered into between China Potevio and the local government and the promotion of domestic infrastructure in the southwest region of the PRC; and
- (iv) a buffer for any unanticipated fluctuations in forecast.

For our due diligence purpose, we have obtained and reviewed a list (the “**Honyar List**”) for the determination of the proposed annual caps for the two years ending 31 December 2017, showing (i) category of the Honyar Products to be provided by the Honyar Group to the Group in 2016 and 2017; and (ii) the estimated demand of the Group for each category of products, which the proposed annual caps are to cater for.

For our due diligence purpose, we have discussed with the Directors regarding the proposed annual caps. As advised by the Directors, Honyar Group recorded a sale of approximately RMB24 million of the Honyar Products in the southwest region of the PRC and the directors expect an increase of 15% in the sale of Honyar Products in the southwest region

## LETTER FROM GRAM CAPITAL

of the PRC. As the Company will be the sole distributor of Honyar Group for the sale of Honyar Products in the southwest region of the PRC, the Company expect the demand of Honyar Products from Honyar Group's existing customers will be approximately RMB27.6 million.

The Company will further introduce new customers to purchase similar Honyar Products through the Company. To the best of the Directors' knowledge, one of the Company's existing customers (the "Client A") purchased products which are similar to the Honyar Products from other suppliers with an amount of approximately RMB50 million to RMB80 million in 2015. The Company expected to have a preliminary cooperation with Client A regarding the supply of the Honyar Products and estimated Client A to have a demand of approximately RMB5 million for the Products in 2016.

In addition, the Directors advised us that China Potevio entered into a strategic cooperation agreement with the government of Chengdu to cooperate on the several aspects of Chengdu, including but not limited to, development of smart city, development of electronic transportation system, development of LED lightness system, etc. The Directors expect that government of Chengdu will demand for the Honyar Products during the thirteenth five-year plan period.

With reference to the above table, the proposed annual cap for the year ending 31 December 2017 represents a substantial increase as compared to that for the year ending 31 December 2016. For our due diligence purpose, we have enquired the Directors in this regards and understood from the Directors that such increase were determined with reference to (i) the market share of Honyar Products may increase; (ii) the cooperation between China Potevio and government of Chengdu; (iii) the demand on the Honyar Products for the MTR projects in Chengdu (as discussed below).

According to an article published by 成都晚報 (Chengdu Evening News\*), being a local newspaper publication firm, on 9 December 2015 that during the thirteenth five-year plan period, government of Chengdu will invest RMB33 billion to develop MTR transportation system in next five years. In 2017, the government of Chengdu expects to invest approximately MTR transportation in fifty to sixty kilometers. As advised by the Directors, the estimate demand on Honyar Products will be approximately RMB50 million in 2017, subject to final bidding.

According to the Honyar List, we noted that the Company has applied a buffer of 10% as an assumption for the determination of the proposed annual caps. Having considered that the additional buffer was applied for unforeseeable circumstances, for instance, (a) the unpredictable increase in material cost of the Honyar Products; and (b) the unexpected increase in demand of the Honyar Products by customers, we consider that a buffer of 10% is acceptable.

In light of the above factors, we consider that the proposed annual caps for the year ending 31 December 2017 are fair and reasonable so far as the Independent Shareholders are concerned.

## LETTER FROM GRAM CAPITAL

Shareholders should note that as the proposed annual caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2017, and they do not represent forecasts of revenue/income/cost to be incurred from the transactions contemplated under the Honyar Framework Distribution Agreement. Consequently, we express no opinion as to how closely the actual revenue/income to be incurred from the transactions contemplated under the Honyar Framework Distribution Agreement will correspond with the proposed annual caps.

In light of the above, we are of the view that the terms basis and terms of the Honyar Framework Distribution Agreement are normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

### **Listing Rules implication**

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the Honyar CCT must be restricted by the proposed annual caps for the period concerned under the Honyar Framework Distribution Agreement; (ii) the terms of the Honyar Framework Distribution Agreement must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Honyar Framework Distribution Agreement must be included in the Company's subsequent published annual reports and financial accounts. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the Honyar CCT (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the annual caps. In the event that the total amounts of the Honyar CCT is anticipated to exceed the annual caps, or that there is any proposed material amendment to the terms of the Honyar Framework Distribution Agreement, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Honyar CCT and thus the interest of the Independent Shareholders would be safeguarded.

## LETTER FROM GRAM CAPITAL

### **Recommendation**

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Honyar Framework Distribution Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Honyar CCT is in the interests of the Company and the Shareholders as a whole and will be conducted in ordinary and usual course of business of the Company. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the 2015 AGM to approve the Honyar Framework Distribution Agreement and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,  
For and on behalf of  
**Gram Capital Limited**  
**Graham Lam**  
*Managing Director*

*Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 20 years of experience in investment banking 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 2015, 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 2015, 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

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

<b>Name</b>	<b>Qualification</b>
Gram 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 2015 (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 17M 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 2015 AGM:

- (a) this Supplementary Circular;
- (b) the letter from the Independent Board Committee, the text of which is set out on pages 21 to 22 of this Supplementary Circular;
- (c) the letter from Gram Capital, the text of which is set out on pages 23 to 38 of this Supplementary Circular;
- (d) the written consents referred to in the sub-section above headed "Expert";
- (e) the Announcements;
- (f) the Supplemental Agreement; and
- (g) the Honyar Framework Distribution 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 ANNUAL 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 26 April 2016, which set out the time and venue of the 2015 annual general meeting of the Company (the “**2015 AGM**”) and contain the resolutions to be considered and approved at the 2015 AGM.

**SUPPLEMENTARY NOTICE IS HEREBY GIVEN** that the 2015 AGM will be held as originally scheduled at the Conference Room of the Company at No. 18, Xinhang Road, the West Park of Hi-tech Development Zone, Chengdu, Sichuan Province, the People's Republic of China (the “**PRC**”), at Friday on 24 June 2016, 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without modification, the following resolutions of the Company at the 2015 AGM in addition to the resolutions set out in the Notice:

- (1) To consider and approve as ordinary resolutions:
8. To approve the Revised Annual Caps for the continuing connected transactions of the Group with China PUTIAN Corporation and its subsidiaries (excluding the Group) pursuant to the Potevio Framework Sales Agreement; and
  9. To approve the transactions contemplated under the continuing connected transactions of the Group with Hangzhou HONYAR Electrical Co., Limited and its subsidiaries pursuant to the Honyar Framework Distribution Agreement.

**SUPPLEMENTARY SPECIAL RESOLUTION**

- (2) To consider and approve the proposed amendments to the articles of association of the Company.

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

Chengdu, the PRC, 26 May 2016

## SUPPLEMENTARY NOTICE OF THE 2015 AGM

*Notes:*

1. Except for the supplementary resolutions to be proposed at the 2015 AGM, there is no other change to the other resolutions to be proposed at the 2015 AGM as set out in the Notice. For details of the other resolutions to be considered and approved at the 2015 AGM, eligibility for attending the 2015 AGM, proxy arrangement, registration procedures, closure of register of members and other relevant matters, please refer to the Notice for the 2015 AGM dated 26 April 2016.

2. 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 ordinary resolutions 8 to 9 and the new special resolution (2) 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 2015 AGM 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 2015 AGM (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 2015 AGM 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 2015 AGM other than those instructed in the Original Proxy Form, including the new ordinary resolutions 8 to 9 and the new special resolution (2) 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 2015 AGM, 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 2015 AGM, 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.

## SUPPLEMENTARY NOTICE OF THE 2015 AGM

3. The 2015 AGM is expected to take half of the day approximately. Shareholders attending the 2015 AGM shall be responsible for their own travel and accommodation expenses.
4. 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, Chengdu, 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. Wang Feng  
Mr. Han Shu  
Ms. Xu Liying  
Mr. Fan Xu

*Independent non-executive Directors:*

Mr. Choy Sze Chung, Jojo  
Mr. Xiao Xiaozhou  
Mr. Lin Zulun