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If you are in any doubt as to any aspect of this circular, you should consult your independent stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Chengdu PUTIAN Telecommunications Cable Company Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effective for transmission to the purchaser or the transferee.

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成都普天電纜股份有限公司

CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED
(a sino-foreign joint stock limited company incorporated in the People's Republic of China)
(Stock Code: 1202)

**PROPOSED CHANGE OF COMPANY NAME;
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION;
CONTINUING CONNECTED TRANSACTIONS;
AND
NOTICE OF 2021 AGM**

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



A letter from the Board is set out on pages 5 to 21 of this circular. A letter from the Independent Board Committee is set out on pages 22 to 23 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions are set out on pages 24 to 43 of this circular.

A notice convening the 2021 AGM to be held at 10:00 a.m. on Thursday, 30 June 2022 at the conference room of the Company at No. 18, Xinhang Road, the West Park of Hi-tech Development Zone, Chengdu, Sichuan Province, the PRC is set out on pages 47 to 48 of this circular.

A form of proxy for use at the 2021 AGM is enclosed and is also published on the Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website (<http://www.cdc.com.cn>). Whether or not you intend to attend the 2021 AGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the 2021 AGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending the 2021 AGM and voting in person if you so wish.

31 May 2022

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	5
Letter from the Independent Board Committee	22
Letter from the Independent Financial Adviser	24
Appendix – General Information	44
Notice of 2021 AGM	47

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“2021 AGM”	the annual general meeting of the Company to be held at the conference room of the Company at No. 18, Xinhang Road, the West Park of Hi-tech Development Zone, Chengdu, Sichuan Province, the PRC at 10:00 a.m. on Thursday, 30 June 2022
“Articles of Association”	the articles of association of the Company, as amended from time to time
“associates”	has the same meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Cable Assembly Processing Service Framework Agreement”	the agreement entered into between the Company and Chengdu Siwi High-Tech on 29 April 2022, pursuant to which the Group has agreed to provide high-low frequency cable assembling and processing services from time to time
“Chengdu Siwi High-Tech”	Chengdu Siwi High-Tech Industrial Co., Ltd. (成都四威高科技產業園公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of 29th Research Institute
“Chengdu Siwi Electronics”	Chengdu Siwi Electronics Co., Ltd. (成都四威電子有限公司), a company established in the PRC with limited liability and the controlling shareholder of the Company
“China Electronics Technology”	China Electronics Technology Group Corporation (中國電子科技集團有限公司), a state-owned company established in the PRC with limited liability, which is directly wholly owned by the SASAC
“Company”	Chengdu PUTIAN Telecommunications Cable Company Limited (成都普天電纜股份有限公司), a sino-foreign joint stock limited company incorporated in the PRC, whose H Shares are listed on the Main Board of the Stock Exchange

DEFINITIONS

“Company Law”	the Company Law of the PRC (中華人民共和國公司法), as enacted by the Standing Committee of the Eighth National People’s Congress of the PRC on 29 December 1993 and effective on 1 July 1994, as amended, supplemented or otherwise modified from time to time
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Continuing Connected Transactions”	the continuing connected transactions between Chengdu Siwi High-Tech and the Company under the Cable Assembly Processing Service Framework Agreement
“controlling shareholder”	has the same meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Domestic Share(s)”	ordinary shares of the capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas-listed foreign shares of the nominal value of RMB1.00 each in the ordinary share capital of the Company which are listed on the Main Board of the Stock Exchange
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the committee of the Board comprising Ms. Fu Wenjie, Mr. Xiao Xiaozhou and Mr. Zhong Qishui, all being independent non-executive Directors, formed to advise the Independent Shareholders in respect of the Cable Assembly Processing Service Framework Agreement, the proposed annual caps and the transactions contemplated thereunder

DEFINITIONS

“Independent Financial Adviser” or “Zero2IPO Capital”	Zero2IPO Capital Limited, a company licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the Cable Assembly Processing Service Framework Agreement, the proposed annual caps and the transactions contemplated thereunder
“Independent Shareholders”	shareholders of the Company other than 29th Research Institute and its associates
“Latest Practicable Date”	26 May 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“PRC”	the People’s Republic of China, for the purpose of this circular excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Proposed Change of Company Name”	the proposed change of the existing name of the Company from “Chengdu PUTIAN Telecommunications Cable Company Limited 成都普天電纜股份有限公司” to “Chengdu SIWI Science and Technology Company Limited 成都四威科技股份有限公司”
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council of the PRC
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong)
“Share(s)”	Domestic Share(s) and/or H Share(s)
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“29th Research Institute”

29th Research Institute of China Electronics Technology Group Corporation (中國電子科技集團公司第二十九研究所), the indirect controlling shareholder of the Company and a subordinate business entity of China Electronics Technology

“%”

per cent

LETTER FROM THE BOARD



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:

Ms. Li Tao (*Chairman*)

Mr. Li Jianyong

Mr. Hu Jiangbing

Mr. Wu Xiaodong

Mr. Zhu Rui

Mr. Jin Tao

Registered office:

No. 18, Xinhang Road

The West Park of Hi-tech

Development Zone

Chengdu

Sichuan Province

The PRC

Postal code: 611731

Independent Non-executive Directors:

Ms. Fu Wenjie

Mr. Xiao Xiaozhou

Mr. Zhong Qishui

Principal place of business

in Hong Kong:

Unit 105, 1/F., Mirror Tower

61 Mody Road, Tsim Sha Tsui

Kowloon

Hong Kong

31 May 2022

To the Shareholders

Dear Sir or Madam,

**PROPOSED CHANGE OF COMPANY NAME;
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION;
CONTINUING CONNECTED TRANSACTIONS;
AND
NOTICE OF 2021 AGM**

(1) INTRODUCTION

The purpose of this circular is to give you the notice of the 2021 AGM and to provide you with information regarding certain resolutions to be proposed at the 2021 AGM to enable you to make an informed decision on whether to vote for or against those resolutions to be proposed at the 2021 AGM.

LETTER FROM THE BOARD

(2) PROPOSED CHANGE OF COMPANY NAME

The Company proposed to change the existing name of the Company to “Chengdu SIWI Science and Technology Company Limited 成都四威科技股份有限公司”.

Conditions of the Proposed Change of Company Name

The Proposed Change of Company Name will be subject to the following conditions being fulfilled:

- (a) the passing of a special resolution by the shareholders of the Company (the “**Shareholders**”) at the 2021 AGM approving the Proposed Change of Company Name and the relevant amendment to the Articles; and
- (b) all relevant approval, authorities, licenses and consents have been obtained from the government authorities, and all filings and registration procedures in the PRC have been completed for the use of the proposed name “Chengdu SIWI Science and Technology Company Limited 成都四威科技股份有限公司”.

The Proposed Change of Company Name will take effect after the satisfaction of the above conditions. The Company will then carry out the necessary filing procedures with the Companies Registry in Hong Kong.

Reasons for the Proposed Change of Company Name

As disclosed in the announcements of the Company dated 10 November 2021, the Company’s then controlling shareholder, China Potevio Company Limited (中國普天信息產業股份有限公司) (“**China Potevio**”) entered into an equity transfer agreement with Chengdu Siwi Electronics for the transfer of 240,000,000 shares of the Company at nil consideration to Chengdu Siwi Electronics and upon completion, the controlling shareholder of the Company will change from China Potevio to Chengdu Siwi Electronics. The Company was granted a waiver by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission under note 6 to Rule 26.1 of the Takeovers Code in connection with the equity transfer.

Following the reorganisation, the Company intends to, through strategic cooperation with its controlling shareholders, leverage on their reputation and scientific and technological innovation capabilities to expand its service scope and product mix and to further diversify the Company’s business into new business segments such as energy storage business to enhance long-term growth potential and create value for the Company and its shareholders as a whole. Furthermore, 29th Research Institute, the indirect controlling shareholder of the Company, is a renowned key scientific research unit under China Electronics Technology and “Siwi” is a brand name associated with the 29th Research Institute. Adopting “Siwi” in the Proposed Change of Company Name can also reflect the change in controlling shareholder after the reorganisation.

LETTER FROM THE BOARD

The Board considers that the Proposed Change of Company Name will enhance the corporate brand and image and will be more aligned with the strategic business development. As such, the Board consider that the Proposed Change of Company Name is in the interests of the Company and the Shareholders as a whole.

Effects of the Proposed Change of Company Name

The Proposed Change of Company Name will not affect any of the rights of the Shareholders. All existing share certificates of the Company in issue bearing the existing name of the Company will, after the Proposed Change of Company Name becoming effective, continue to be effective and as documents of title to the Shares and will continue to be valid for trading, settlement, registration and delivery purposes. Accordingly, there will not be any arrangement for free exchange of the existing share certificates for new share certificates bearing the new name of the Company. Upon the Proposed Change of Company Name becoming effective, new share certificates of the Company will be issued under the new name of the Company. Subject to the confirmation by the Stock Exchange, the Shares will be traded on the Stock Exchange in the new stock short name of the Company after the Proposed Change of Company Name becomes effective.

LETTER FROM THE BOARD

(3) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Reference is made to the announcement of the Company dated 29 April 2022 in relation to the proposed amendments to the Articles of Association.

The Board considered that the proposed amendments to the Articles of Association are in the interests of the Company and the Shareholders. The resolution in relation to the proposed amendments to the Articles of Association will submitted to the Shareholders for approval by way of special resolution.

No.	Original Articles:	Amended Articles:
1	Article 1the Articles of Association are formulated in accordance with the Company Law of the People’s Republic of China (the “Company Law”)	Article 1the Articles of Association are formulated in accordance with <u>the Constitution of the Communist Party of China (CPC) (the “Party Constitution”), the Regulations on the Work of Grassroots Organizations of State-owned Enterprises of the Communist Party of China (Trial Implementation)</u> , the Company Law of the People’s Republic of China (the “Company Law”)
2	Article 2 Registered full name of the Company in Chinese: 成都普天電纜股份有限公司 Full name in English: Chengdu PUTIAN Telecommunications Cable Company Limited	Article 2 Registered full name of the Company in Chinese: 成都四威科技股份有限公司 Full name in English: <u>Chengdu SIWI Science and Technology Company Limited</u>
3	Article 9 The Company shall, in accordance with the relevant provisions in the Constitution of the Communist Party of China (CPC) (the “Party Constitution”), establish a CPC organization. The Party committee shall play the role as a core of leadership and politics to determine the direction, manager the overall situation and ensure the implementation. The Company shall establish working bodies of the Party with necessary staff responsible for Party-related matters and provide funds for the operation of the Party organization.	Article 9 <u>The Company shall, in accordance with the Party Constitution and relevant provisions, establish a CPC organization, a working institution of the Party, arrange staff for Party affairs, set up institutional structures for the Party organization, incorporate staff arrangement into the management structure and corporate arrangement of the Company, include the operating expenses of the Party organization in the Company’s budget and charge such expenses to the Company’s administration expense. The Party committee of the Company shall play the role of leadership in setting the direction, controlling the overall situation and promoting the implementation, and discuss and decide on important corporate matters in accordance with the provisions.</u>
4	Article 10 The objectives of the Company include: Establishing and developing corporate governance structure and operational management system which are adaptable to the needs of the market economy; Relying on technological advancements and management innovation to further the manufacturing of information industry products as the main-stream business; and to attend to ancillary business with an aim to achieve continuing expansion of business; Enhancing the comprehensive strength of the Company; Maintaining the sustainable growth of the Company; Providing quality products and services for customers so as to meet the expectation of customers, Company’s employees, Company’s shareholders and the society.	Article 10 The objectives of the Company include: Establishing and developing corporate governance structure and operational management system which are adaptable to the needs of the market economy; Relying on technological advancements and management innovation to further the manufacturing of <u>electronic information and new energy</u> industry products as the main-stream business; and to attend to ancillary business with an aim to achieve continuing expansion of business; Enhancing the comprehensive strength of the Company; Maintaining the sustainable growth of the Company; Providing quality products and services for customers so as to meet the expectation of customers, Company’s employees, Company’s shareholders and the society.

LETTER FROM THE BOARD

No.	Original Articles:	Amended Articles:
5	<p>Article 11</p> <p>.....</p> <p>Scope of business of the Company: Electric wire and cable, fiber optic cable, cable special materials, irradiation processing, cable accessories, special equipment, equipment and different kinds of information industrial products (except categories restricted or prohibited by the State), devices and equipment technology research and development, product manufacturing, sales and service, electrical equipment technology development, transfer, consulting and related services;</p> <p>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));</p> <p>Wholesale and retail: communications equipment (except radio transmitting equipment), lighting equipment, electrical equipment, instrumentation, electronic measuring instruments, electronic components, transmission, distribution and control equipment, hardware products and electronic products, plastic products, mineral products, building materials and chemical products (except dangerous chemicals products and precursor chemicals), daily necessities, commission agent (except by auction), import and export proprietary goods and similar commodities;</p> <p>Owned real estate, machinery leasing, and property management.</p>	<p>Article 11</p> <p>.....</p> <p>Scope of business of the Company: <u>Permitted items:</u> <u>Wire and cable manufacturing; entry-exit quarantine arrangement at borders. (Items subject to approval in accordance with the laws shall commence operation with approval obtained from the relevant authorities. Definitive operating items shall be subject to the approval documents or license documents granted by the relevant authorities.)</u></p> <p><u>General items:</u> <u>Wire and cable business; optical fiber manufacturing; sale of optical fibers; optical cable manufacturing; sale of optical cables; communication equipment manufacturing; sale of communication equipment; optical communication equipment manufacturing; sale of optical communication equipment; electric power facilities and equipment manufacturing; sale of electric power facilities and equipment; mechanical and electrical equipment manufacturing; sale of mechanical and electrical equipment; electrical machinery special equipment manufacturing; special equipment manufacturing (excluding licensed professional equipment manufacturing); special electronic material manufacturing; energy storage technology services; research and development of emerging energy technologies; research and development of technologies for resource recycling and reuse; research and development of online energy monitoring technologies; research and development of wind farm related systems; research and development of offshore wind power related systems; solar power generation technology services; research and development of motors and their control systems; intelligent control system integration; information system integration services; research and development of switch control equipment for electricity distribution; new energy original equipment manufacturing; power generator and generator set manufacturing; electricity transmission and distribution and relevant control equipment manufacturing; sale of intelligent electricity transmission and distribution and relevant control equipment; contract energy management; sale of batteries; recycling and secondary use of abandoned and obsolete traction batteries of new energy vehicles (excluding hazardous waste operations); sale of battery swap facilities of new energy vehicles; sale of photovoltaic equipment and components; sale of electric accessories of new energy vehicles; technical services, technology development, technical consultation, technology exchange, technology transfer, technology promotion; import and export of goods; technology import and export; non-residential real estate leasing; house leasing; leasing services (excluding licensed leasing services); property management; parking lot services; business management consultation; entrepreneurial space services. (Except for the items subject to approval in accordance with the laws, all other items shall independently commence operation with business licenses in accordance with the laws.)</u></p>

LETTER FROM THE BOARD

No.	Original Articles:	Amended Articles:
6	<p>Article 17</p> <p>.....</p> <p>Such shares are held by China Potevio Company Limited.</p>	<p>Article 17</p> <p>.....</p> <p>Such shares are held by <u>Chengdu Siwi Electronic Co., Ltd.</u></p>
7	<p>Article 99</p> <p>The Party committees shall perform the following duties and responsibilities according to the Party Constitution and other relevant Party regulations:</p> <p>(1) to ensure the supervision of the Company's consistent implementation of the Party and national policies, the major strategic decisions of the Party Central Committee and the State Council and the critical work plans of the State-owned Assets Supervision and Administration Commission of the State Council and the higher Party organization;</p> <p>(2) to adhere to the integration of the principle of Party administrators and cadres as well as the operators or management to make use of personnel according to the law. The Party committee shall consider the candidates nominated by the general manager and provide opinions or suggestions or recommend candidates to the general manager. The Party committee shall examine the proposed candidates with the management and give opinions and suggestions upon collective research.</p> <p>(3) to study and discuss the matters in relation to the stable reform and development and major operation and management of the Company as well as the major issues in relation to the vital interests of employees and give opinions and suggestions thereon;</p> <p>(4) to take full responsibility on strengthening the Party discipline. It shall take lead in the Company's ideological and political work, united front work, spiritual civilization, corporate culture construction and group work such as labor union and the Communist Youth League. It shall also take lead in the establishment of a clean and honest Party and support the disciplinary committee to perform its supervision duties.</p>	<p>Article 99</p> <p>The Party committees shall perform the following duties and responsibilities according to the Party Constitution, <u>the Regulations on the Work of Grassroots Organizations of State-owned Enterprises of the Communist Party of China (Trial Implementation)</u> and other relevant Party regulations:</p> <p>(1) <u>to strengthen the political construction of the Party in the Company, adhere to and implement the fundamental, basic and important system of socialism with Chinese characteristics, educate and guide all Party members to, at all times, maintain a high degree of consistency with the Central Committee of the Party with Comrade Xi Jinping as the core in terms of political stance, political direction, political principles and political path;</u></p> <p>(2) <u>to carry out in-depth study and implementation of Xi Jinping's Thoughts on Socialism with Chinese Characteristics for a New Era, study and propagate the Party theories, follow and implement the Party routes and policies, as well as supervise and ensure the implementation of major decisions and deployments of the Central Committee of the Party and resolutions of Party organizations at a higher-level in the Company;</u></p> <p>(3) <u>to study and discuss major business management matters of the Company, and support the shareholders' (general) meetings, the board of Directors, the supervisory committee and the management members in exercising and performing their powers and functions in accordance with the laws;</u></p> <p>(4) <u>to strengthen the leadership and supervision in terms of selection and appointment of staff members of the Company, and attach importance to the team building of leaders, cadre and talent;</u></p>

LETTER FROM THE BOARD

No.	Original Articles:	Amended Articles:
		<p>(5) <u>to perform the main responsibility of the Company of establishing the governance culture of the Party with integrity, lead and support the internal discipline inspection organization to perform its duties of supervision and implementation of discipline accountability to implement stringent and clear political discipline and political rules, and promote the stringent governance of the Party to the grassroots in all aspects;</u></p> <p>(6) <u>to strengthen the establishment of grass-root organizations of the Party and team building of Party members, as well as unite and lead the masses of workers to actively participate in the reform and development of the Company;</u></p> <p>(7) <u>to take lead in the Company's ideological and political work, establish spiritual civilization, unite front work, and take lead in groups and organizations such as the Company's labor union, the Communist Youth League and women's organizations.</u></p>
8		<p><u>Article 110</u> <u>The Company's management and other authorised personnel are not authorised to sign contracts and other relevant documents involving high-risk matters such as foreign investments, pledges of assets, sale and disposal of assets, credit guarantees, financing lines, annual borrowed/lent funds, etc. without the authorisation of the shareholders' meeting or the Board of Directors.</u></p>

(4) CONTINUING CONNECTED TRANSACTIONS

Introduction

On 29 April 2022, the Company announced that it has entered into the Cable Assembly Processing Service Framework Agreement in relation to the provision of cable assembly and processing service by the Group to Chengdu Siwi High-Tech. As Chengdu Siwi High-Tech is a wholly-owned subsidiary of 29th Research Institute, which is the direct controlling shareholder of the Company, thus Chengdu Siwi High-Tech is a connected person of the Company pursuant to the Listing Rules and the transactions contemplated under the Cable Assembly Processing Service Framework Agreement constitutes a continuing connected transactions of the Company which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements of the Listing Rules.

LETTER FROM THE BOARD

Cable Assembly Processing Service Framework Agreement:

Date:	29 April 2022 (after trading hours)
Parties:	The Company (as the service provider); and Chengdu Siwi High-Tech (as the service recipient)
Nature of the transaction:	Subject to the terms and conditions of each relevant purchase order, the Company will supply high-low frequency cable assembling and processing service to Chengdu Siwi High-Tech from time to time during the effective term of the Cable Assembly Processing Service Framework Agreement
Term:	The effective term of the Cable Assembly Processing Service Framework Agreement will commence upon the conclusion of the 2021 AGM and end on 31 December 2024, subject to early termination by either party giving at least one months' prior written notice to the other party
Condition Precedent:	The Cable Assembly Processing Service Framework Agreement and transactions contemplated thereunder is conditional upon obtaining the necessary approval and consent under the Listing Rules, which include the approval by the Independence Shareholders at the 2021 AGM
Pricing Policy:	The price of each transaction will be determined based on the prevailing market price, via a proposal selection process organized by Chengdu Siwi High-Tech

Pricing basis and payment terms

The pricing of the cable assembling and processing service are not fixed and will be determined based on the prevailing market price, via a proposal selection process organized by Chengdu Siwi High-Tech.

The Group's proposal selection process involves the following steps:

1. receiving the invitation and details by Chengdu Siwi High-Tech for the proposal selection process;

LETTER FROM THE BOARD

2. assessing the offering documents by the Discipline Audit and Legal Risk Control Department* (紀檢審計與法務風控部) followed by an internal discussion on the proposed price and terms;
3. finalization of the offering documents; and
4. submission of the offering documents to Chengdu Siwi High-Tech.

The Group when determining the pricing will consider the following factors:

1. the costs of the cable assembling and processing service plus a fair and reasonable margin;
2. the estimated profitability of the contract; and
3. data obtained internally or through external source in relation to pricing and terms for similar types of works and services.

Additionally, as the transactions contemplated under the Cable Assembly Processing Service Framework Agreement is a new arrangement, there has been no historical transactions conducted by the Group with Chengdu Siwi High-Tech prior to the Cable Assembly Processing Service Framework Agreement, nor has the Group enter into any similar arrangements with other parties for the assembling and processing of high-low frequency cable products that can serve as a reference. Due to the degree of customization on the specifications of the cable products required by Chengdu Siwi High-Tech, the price is not fixed. The cost of the cable products in the industry is mainly composed of raw materials and the sales price is generally determined by cost plus profit margin approach. The Company considers the gross profit margin of the Continuing Connected Transactions will be in the range of approximately 10% to 15%, with reference to the overall gross profit margin of the Group for the financial year ended 31 December 2021 being 10.84% and the expected market competition during the term of the Cable Assembly Processing Service Framework Agreement. During the term of the Cable Assembly Processing Service Framework Agreement, the Group will expect to have to compete primarily on price, quality, functions and delivery of products, and overall customer service during the proposal selection process of Chengdu Siwi High-Tech. Competition from companies located in certain regions of China with comparatively lower costs of raw material due to delivery distance, labor and other costs may lead to lower selling prices. In addition, the Group's industry requires substantial capital expenditure in manufacturing, machinery, research and development, product design, and marketing to meet both consumer preferences and regulatory requirements. If the Group's competitors consolidate or enter into strategic alliances among themselves, they may be able to take better advantage of these economies of scale. All the aforementioned advantages over the Group may enable the Group's competitors to market, promote and sell their products more effectively and develop stronger relationships with customers. As the proposal selection process will be organized by Chengdu Siwi High-Tech and they will invite at least three suppliers to

LETTER FROM THE BOARD

submit their respective offering documents, which will undergo a stringent assessment process by Chengdu Siwi High-Tech's production, legal, technical and quality assurance department, thus determine the prevailing market price.

In relation to data obtained internally, as the Group offers high-low frequency cable assembly processing services to other customers, the Group will be able to compare the pricing and terms of other customers to those provided to Chengdu Siwi High-Tech going forward. The Group will also be able to collect and obtain relevant external data for determining pricing via each proposal selection process when Chengdu Siwi High-Tech announces the selection results for the high-low frequency cable assembly processing services.

The fees payable to the Group for provision of the cable assembling and processing services, if awarded, will be settled via bank transfer on a monthly basis based on work done by the Group.

Annual caps

Transaction	For the period from the date of the 2021 AGM to 31 December	For the year ending 31 December	
	2022	2023	2024
Provision of high-low frequency cable products assembling and processing services	110,000	240,000	280,000
Total	110,000	240,000	280,000

(RMB in thousands)

The proposed annual cap for the transactions contemplated under the Cable Assembly and Processing Service Framework Agreement are determined with reference to the following factors:

- (i) the expected price to be charged by the Group for the cable assembly and processing service; and
- (ii) the expected demand for the cable assembly and processing services from Chengdu Siwi High-Tech to the Group

Additionally, since the pricing will be generally determined by cost plus profit margin approach, the major cost being the raw materials is copper. The Company made reference to the (i) historical price trend of copper and (ii) the expected supply and demand of copper during the terms of the Cable Assembly Processing Framework Agreement. Copper prices remained relatively stable from June 2019 to December

LETTER FROM THE BOARD

2019, where more prominent upward trends can be observed since 2020. In 2021, the average benchmark London Metal Exchange (“LME”) (<http://www.lme.com/>), copper price was approximately US\$9,315 per ton, representing approximately 51% increase as compared to the average benchmark copper prices in 2020 of approximately US\$6,169 per ton. In 2022, copper prices have been less volatile. The average benchmark LME copper price has retreated to approximately US\$9,318 per ton in May 2022 after spiking to a record high of approximately US\$10,730 per ton during March 2022. This was mainly due to concerns over widespread industrial shutdowns in China, the biggest consumer of copper, following renewed COVID-19 outbreaks in China and increase likelihood of more aggressive U.S. Federal Reserve tightening. The Company believes copper prices are seen ebbing slightly going forward and remain relatively stable as global growth slows and the uncertainty of the supply concerns caused by COVID-19. The Company has also taken into account the historical demand of Chengdu Siwi High-Tech similar assembly and production services in recent years, the expected annual growth in demand for such products from Chengdu Siwi High-Tech and its estimated annual production capacity for such assembly and production services during the term of the Cable Assembly Processing Service Framework Agreement.

The expected annual growth in demand from Chengdu Siwi High-Tech is determined with reference to:

- (i) The historical quantity of high-low frequency cable assembly products required Chengdu Siwi High-Tech for the year ended 31 December 2021, which was provided by Chengdu Siwi High-Tech;
- (ii) the maximum utilisation rate of the high-low frequency cable assembly production capacity by Chengdu Siwi High-Tech assuming the Company succeed in each proposal selection process organized by Chengdu Siwi High-Tech and the above estimated quantity will grow by approximately 15% each year, which is expected to be approximately 77%, 80% and 84% respectively for the three years ending 31 December 2024, taking into account the possible expansion of the Group’s production capacity from time to time to ensure demand for such service from other customers (prioritized by the pricing and terms offered) are also satisfied;
- (iii) adequate buffer to accommodate any unanticipated quantity from Chengdu Siwi High-Tech and thus avoid unnecessary administrative costs associated with obtaining further approvals from shareholders for those unanticipated quantity which exceeds the annual caps; and
- (iv) the promising downstream market of Chengdu Siwi High-Tech during the term of the Cable Assembly Processing Service Agreement.

Despite the annual caps for the transactions contemplated under the Cable Assembly and Processing Service Framework Agreement for the two years ending 31 December 2024 represented 73% and 93% of the Group’s revenue for the year ended 31 December 2021, the Board considers the Group’s reliance on Chengdu Siwi High-Tech will not be material due to the following reasons:

LETTER FROM THE BOARD

- (i) as the Group's high-low frequency cable products assembling and processing services is a new service provided by the Group, it has its own separate production line which will not affect the Group's existing production capacity for its other products/services, the transaction amount under the annual caps did not form part of the total revenue of the Group in previous years and represents additional potential revenue that could be generated. With the transaction amount under the annual caps included in the total revenue for the upcoming years, the actual proportion of it relative to the total revenue for the two years ending 31 December 2024 is expected to be lower;
- (ii) as mentioned above, the high-low frequency cable products assembling and processing services provided to Chengdu Siwi High-Tech is a newly established service of the Group and based on the success of the strategic cooperation, the Group intends to further develop its service and acquire other independent third-party customers and extend similar service offerings with them, hence reducing the proportion of the revenue generated from the transaction with Chengdu Siwi High-Tech to the overall revenue of the Group;
- (iii) The Group has considered the expected demand from Chengdu Siwi High-Tech when designing the production capacity for the high-low frequency cable products assembly business. The Group's production facilities of high-low frequency cable products are not specifically designed to cater solely for Chengdu Siwi High-Tech. If the Group fails in Chengdu Siwi High-Tech's proposal selection and could not obtain any further purchase orders, the Group is capable of allocating the production capacity to service other customers; and
- (iv) following the recovery of the optical fiber market and the market prices of optical fiber products, the Group will continue to strengthen its optical fiber productions and seize opportunities arising from the recovery and raise the average selling price of its optical fiber products accordingly. The Group also expects its other business segments, existing to continue to expand and contribute to the revenue of the Group and the proportion of the transaction amounts under the annual caps to the total revenue will decrease.

Internal control measures

The pricing and terms to be submitted by the Group in the offering documents will also be subject to the following internal control procedure in order to ensure that the prices and terms offered are no more favourable than those offered by the Group to independent third parties:

1. The Company will monitor the Continuing Connected Transactions in accordance with the procedures set out in the Company's internal control manual on continuing connected transactions. The Discipline Audit and Legal Risk Control Department* (紀檢審計與法務風控部) of the Company

LETTER FROM THE BOARD

will conduct regular checks at least on a quarterly basis to review and assess whether the transactions contemplated under the relevant continuing connected transactions are conducted in accordance with their respective agreements and will also regularly update the market prices for the purpose of considering if the prices charged for a specific transaction are fair and reasonable and in accordance with the stated pricing policy;

2. The external auditors of the Company will conduct an annual review on the terms, pricing policy and annual caps of the continuing connected transactions;
3. The Discipline Audit and Legal Risk Control Department of the Company will prepare an analysis report and suggest improvement measures on the implementation of the stated pricing policy for the Continuing Connected Transactions and the annual caps and provide the audit committee of the Board with the analysis reports and suggest improvement measures (if any) at least twice a year. In the event of that the amount of transactions incurred or to be incurred under the Cable Assembly Processing Service Framework Agreement is expected to reach or exceed the annual caps or the stated pricing policy requires immediate adjustment, the Discipline Audit and Legal Risk Control Department of the Company will report to the audit committee of the Board and upon its review and confirmation, forward to the Board (including the independent non-executive Directors) and convene a Board meeting to consider the relevant actions taken to ensure compliance with the Listing Rules; and
4. The independent non-executive Directors will review the implementation and enforcement of stated pricing policy, the annual cap and the continuing connected transactions at least on an annual basis.

Reasons for and Benefits of Entering Into the Cable Assembly Processing Service Framework Agreement

As the Group has formed its high-low frequency cable assembly business capabilities, the Company believes the entering into of the Cable Assembly Processing Service Framework Agreement is necessary for its business development which would strengthen the Group's ability to cope with the competitive market environment and would have the added benefit of securing the Group an additional stable source of income.

The Directors (including the independent non-executive Directors who have taken into account the advice from the Independent Financial Adviser in respect of the proposed annual caps) consider that the terms of the Cable Assembly Processing Service Framework Agreement, the proposed annual caps are fair and reasonable, and the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

Information on the Group, Chengdu Siwi High-Tech and China Electronics Technology

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

Chengdu Siwi High-Tech is company established in the PRC with limited liability and is principally engaged in research, development, production, sales and technical consultancy services for microwave systems, microwave products, communications equipment (excluding radio broadcasting and television transmitting equipment and terrestrial satellite receiving equipment), test equipment, special power supplies, intelligent electromechanical products.

China Electronics Technology, the actual controller of the Company and the ultimate beneficial owner of Chengdu Siwi High-Tech, is a major state-owned enterprise and a direct wholly-owned subsidiary of the SASAC. It principally engages in the research and manufacturing of products which include electronic equipment, network information systems, industrial foundations, network security and other fields.

Listing Rules Implication

Chengdu Siwi High-Tech is a wholly-owned subsidiary of 29th Research Institute, which is the indirect controlling shareholder of the Company, thus Chengdu Siwi High-Tech is a connected person of the Company under Chapter 14A of the Listing Rules. As such the transactions contemplated under the Cable Assembly Processing Service Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios relating to the proposed annual caps of the Continuing Connected Transactions between the Group and Chengdu Siwi Hi-Tech are higher than 5% and over HK\$10,000,000 on an annual basis, the Continuing Connected Transactions are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the date of this circular, to the best knowledge, information and belief of the Director having made all reasonable enquiry, Mr. Li Jianyong, being an executive Director of the Company, is also a director and general manager of Chengdu Siwi High-Tech. Mr. Li Jianyong is being regarded as having material interest in the Continuing Connected Transactions and have abstained from voting on the board resolutions approving the Cable Assembly Processing Service Framework Agreement, the proposed annual caps and the transactions contemplated thereunder. Save as disclosed above, none of the other Directors has a material interest in the Continuing Connected Transactions and accordingly, none of them was required to abstain from

LETTER FROM THE BOARD

voting on the resolution of the Board approving the Cable Assembly Processing Service Framework Agreement, the proposed annual caps and the transactions contemplated thereunder.

An Independent Board Committee, comprising all the independent non-executive Directors, namely Ms. Fu Wenjie, Mr. Xiao Xiaozhou and Mr. Zhong Qishui has been formed to consider, and to advise the Independent Shareholders, amongst other things, whether the Cable Assembly Processing Service Framework Agreement, the proposed annual caps and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

Zero2IPO Capital has been appointed as the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders on the Cable Assembly Processing Service Framework Agreement, the proposed annual caps and the transactions contemplated thereunder.

29th Research Institute and its associates, including Chengdu Siwi Electronics, the controlling shareholder of the Company are regarded as having a material interest in the Continuing Connected Transactions and the proposed annual caps. As at the Latest Practicable Date, Chengdu Siwi Electronics, a wholly-owned subsidiary of 29th Research Institute, holds 240,000,000 Shares, representing approximately 60% of the issued share capital of the Company. Accordingly, Chengdu Siwi Electronics will abstain from voting at the 2021 AGM in respect of the resolution proposed to be passed for approving the Cable Assembly Processing Service Framework Agreement, the proposed annual caps and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, no other Shareholders are required to abstain from voting at the 2021 AGM.

(5) 2021 AGM

A notice convening the 2021 AGM to be held at 10:00 a.m. on Thursday, 30 June 2022 at the conference room of the Company at No. 18, Xinhang Road, the West Park of Hi-tech Development Zone, Chengdu, Sichuan Province, the PRC is set out on pages 47 to 48 of this circular.

A form of proxy for use at the 2021 AGM is enclosed and is also published on the Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website (<http://www.cdc.com.cn>). Whether or not you intend to attend the 2021 AGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the 2021 AGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending the 2021 AGM and voting in person if you so wish.

LETTER FROM THE BOARD

(6) VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders at a general meeting must be taken by poll. The chairman of the 2021 AGM shall therefore demand voting on all resolutions set out in the notice of 2021 AGM be taken by way of poll pursuant to Article 67 of the Articles of Association.

On a poll, every Shareholder present in person or by proxy or (being a corporation) by its duly authorized representative shall have one vote for each Share registered in his/her name in the register of members. A Shareholder entitled to more than one vote need not use all his/her votes or cast all the votes he/she uses in the same manner.

(7) CLOSURE OF REGISTER OF MEMBERS

The register of members of the H Shares will be closed from 31 May 2022 to 30 June 2022, (both days inclusive), during which period no transfer of H Shares will be registered, in order to determine the entitlement to attend and vote at the 2021 AGM. In order to be qualified for attending at the 2021 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's H Share Registrar (Hong Kong Registrars Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong) before the close of business hours (4:30 p.m.) on 30 May 2022.

(8) RECOMMENDATION

Your attention is drawn to the (i) the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in relation to the Continuing Connected Transactions and the proposed annual caps set out on page 22 to 23 of this circular; and (ii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its advice in respect of the Continuing Connected Transactions and the proposed annual caps set out on pages 24 to 43 of this circular.

The Directors (including the members of the Independent Board Committee having considered the advice from the Independent Financial Adviser) consider that the Cable Assembly Processing Service Framework Agreement, the proposed annual caps and the transactions contemplated thereunder are entered in the ordinary and usual course of business of the Group, fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors (including the members of the Independent Board Committee having considered the advice from the Independent Financial Adviser) recommend that the Independent Shareholders to vote in favour of the resolutions to be proposed at the 2021 AGM in relation to the approval of the Continuing Connected Transactions and the proposed annual caps.

LETTER FROM THE BOARD

The Directors also consider that the Proposed Change of Company Name and the proposed amendments to the Articles of Association are in the best interests of the Company and its Shareholders as a whole and the Directors recommend that the Shareholders to vote in favour of the resolutions to be proposed at the 2021 AGM in relation to the approval of the Proposed Change of Company Name and the proposed amendments to the Articles of Association.

Yours faithfully,

Chengdu PUTIAN Telecommunications Cable Company Limited

Li Tao

Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Continuing Connected Transactions and the proposed annual caps.



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)

31 May 2022

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of Chengdu PUTIAN Telecommunications Cable Company Limited dated 31 May 2022 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

We have been appointed as members of the Independent Board Committee to consider and to advise the Independent Shareholders, amongst other things, whether the Cable Assembly Processing Service Framework Agreement, the proposed annual caps and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

Zero2IPO Capital has been appointed as the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders on the Cable Assembly Processing Service Framework Agreement, the proposed annual caps and the transactions contemplated thereunder.

We wish to draw your attention to the letter from the Board set out on pages 5 to 21 of the Circular which contains, inter alia, information about the Continuing Connected Transactions and the proposed annual caps, the letter of advice from the Independent Financial Adviser set out on pages 24 to 43 of the Circular which contains its advice in respect of the Continuing Connected Transactions and the proposed annual caps.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the advice from the Independent Financial Adviser, we consider the terms of the Cable Assembly Processing Service Framework Agreement, the proposed annual caps are fair and reasonable, in the ordinary and usual course of business of the Group, on normal commercial terms and so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the AGM to approve the Continuing Connected Transactions and the proposed annual caps.

Yours faithfully,
for and on behalf of
Independent Board Committee

Fu Wenjie Xiao Xiaozhou Zhong Qishui
Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from Zero2IPO Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Cable Assembly Processing Service Framework Agreement and the proposed annual caps, which has been prepared for the purpose of incorporation in the circular.



清科资本
Zero2IPO Capital

Unit No.1506B, Level 15,
International Commerce Centre,
1 Austin Road West, Kowloon, Hong Kong

31 May 2022

To the Independent Board Committee and the Independent Shareholders

Dear Sirs/Madams,

CONTINUING CONNECTED TRANSACTIONS

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 Cable Assembly Processing Service Framework Agreement and the proposed annual caps (the “**Annual Caps**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 31 May 2022 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise. We recommend the Independent Board Committee to advise the Independent Shareholders to read this Circular carefully before they decide to vote for or against the Cable Assembly Processing Service Framework Agreement and the Annual Caps.

With reference to the Board Letter, on 29 April 2022 (after trading hours), the Company entered into the Cable Assembly Processing Service Framework Agreement for a term of three years commencing upon the conclusion of the 2021 AGM and end on 31 December 2024 pursuant to the Cable Assembly Processing Service Framework Agreement, in respect of the provision of cable assembling and processing service by the Group to Chengdu Siwi Hi-Tech.

Chengdu Siwi High-Tech is a wholly-owned subsidiary of the 29th Research Institute, which is the indirect controlling shareholder of the Company. Therefore Chengdu Siwi High-Tech is a connected person of the Company and the transactions contemplated under the Cable Assembly Processing Service Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios relating to the Annual Caps of the Continuing Connected Transactions are higher than 5% and over HK\$10,000,000 on an annual basis, the Continuing Connected Transactions are subject to the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee consisting of all the independent non-executive Directors, namely Ms. Fu Wenjie, Mr. Xiao Xiaozhou and Mr. Zhong Qishui has been formed for the purposes of advising the Independent Shareholders in respect of the continuing connected transactions contemplated under the Cable Assembly Processing Service Framework Agreement (including the Annual Caps) and whose views and recommendation will be included in the Circular. We, Zero2IPO Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As Mr. Li Jianyong, being an executive Director of the Company, is also a director and general manager of Chengdu Siwi High-Tech. Mr. Li Jianyong is being regarded as having material interest in the Continuing Connected Transactions and have abstained from voting on the board resolutions approving the Cable Assembly Processing Service Framework Agreement, the Annual Caps and the transactions contemplated thereunder. Save as disclosed above, none of the other Directors has a material interest in the Continuing Connected Transactions and accordingly, none of them was required to abstain from voting on the resolution of the Board approving the Cable Assembly Processing Service Framework Agreement, the proposed Annual Caps and the transactions contemplated thereunder.

29th Research Institute and its associates, including Chengdu Siwi Electronics, the controlling shareholder of the Company are regarded as having a material interest in the Continuing Connected Transactions and the Annual caps. As at the Latest Practicable Date, Chengdu Siwi Electronics, a wholly-owned subsidiary of 29th Research Institute, holds 240,000,000 Shares, representing approximately 60% of the issued share capital of the Company. Accordingly, Chengdu Siwi Electronics will abstain from voting at the 2021 AGM in respect of the resolution proposed to be passed for approving the Cable Assembly Processing Service Framework Agreement, the Annual caps and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, no other Shareholders are required to abstain from voting at the 2021 AGM.

OUR INDEPENDENCE

As at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Company, Chengdu Siwi High-Tech or any other parties that could be reasonably regarded as a hindrance to our independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders. We have not acted as a financial adviser or an independent financial adviser to the Company and its associates in the past two years. Apart from the advisory fee 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 or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion regarding the Cable Assembly Processing Service Framework Agreement and the Annual Caps, we have relied on the information and facts supplied, opinions expressed and representations made to us by the Directors, the management of the Group (the “**Management**”) and the management of Chengdu Siwi High-Tech (including but not limited to those contained or referred to in the Circular). We have assumed that the information and facts supplied, opinions expressed and representations made to us were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the 2021 AGM. We have also assumed that all statements of belief, opinions, expectation and intention made by the Management 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 management and/or advisers, which have been provided to us.

The Directors have collectively and individually accept 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 have reviewed currently available information and documents, among others: i) the Cable Assembly Processing Service Framework Agreement; ii) the Announcement; iii) the annual report of the Company for the year ended 31 December 2021 (the “**2021 Annual Report**”); iv) the internal control measures governing connected transactions of the Group; (v) other information as set out in the Circular; and (vi) relevant market data and information available from public source which are made available to us and enable us to reach an informed view and justify our reliance on the information provided so as to provide a reasonable basis for our advice. We also held discussion with the Management and the manager responsible for production planning of Chengdu Siwi High-Tech from time to time. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

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 investigation into the business and affairs or prospects of the Group, Chengdu Siwi High-Tech, the parent group or their respective shareholders, subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of entering the Cable Assembly Processing Service Framework Agreement. Our opinion is necessarily based on the market, financial, economic 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 change in market

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to consider events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Where information in this letter of advice has been extracted from published or otherwise publicly available sources, we have ensured that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources but we did not conduct any independent investigation into the accuracy and completeness of such information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

The principal factors and reasons we have considered in assessing the Cable Assembly Processing Service Framework Agreement (including the Annual Caps) in giving our recommendation to the Independent Board Committee and the Independent Shareholders are set out below:

Information on the Group

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

According to the announcement of the Company dated 23 June 2021, the Company was informed by China Potevio Company Limited* (中國普天信息產業股份有限公司) (“**China Potevio**”), the controlling shareholder of the Company, that after examination by the SASAC and submission to and obtaining approval of the State Council, consent is given for the implementation of reorganisation between China PUTIAN Corporation* (中國普天信息產業集團有限公司) (“**China Putian**”), the sole shareholder of China Potevio, and China Electronics Technology (the “**Reorganisation**”). The entire equity interests in China Putian will be transferred into China Electronics Technology at nil consideration and China Putian will become a wholly owned subsidiary of China Electronics Technology. China Putian will no longer perform the contributor’s duties on behalf of SASAC. Upon completion of the Reorganisation, the percentage of shareholding of China Potevio in the Company will not change, and the actual controller of the Company will be changed from China Putian to China Electronics Technology. The Reorganisation was completed on 23 September 2021.

According to the announcement of the Company dated 10 November 2021, the Company’s controlling shareholder, China Potevio entered into an equity transfer agreement with Chengdu Siwi Electronics, an indirectly wholly owned subsidiary of China Electronics Technology, for the transfer of 240,000,000 shares of the Company at nil consideration to Chengdu Siwi Electronics and upon completion the controlling shareholder of the Company will change from China Potevio to Chengdu Siwi Electronics (the “**Transfer**”) and the actual controller of the Company will remain unchanged.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set forth below is a summary of the audited consolidated financial information of the Group for two years ended 31 December 2021 (“FY2020” and “FY2021”, respectively) as extracted from the 2021 Annual Report:

	For the year ended	
	31 December	
	2021	2020
	RMB	RMB
	(Audited)	(Audited)
Turnover	300,424,372.33	239,383,759.52
– Main operations	259,072,812.60	202,431,850.74
– Other operations	41,351,559.73	36,951,908.78
Net loss attributable to owners of parent company	(52,268,290.85)	(42,819,958.90)

With reference to the 2021 Annual Report, the turnover of the Group increased by approximately 25.5% from RMB239,383,759.52 for FY2020 to RMB300,424,372.33 for FY2021. The increase in revenue was mainly due to the increase in the business volume of copper wire processing and outsourcing during FY2021.

During FY2021, to address the problems of inadequate cost control and low operational efficiency, the Company strengthened its lean management and gradually focused on cost accounting and performance appraisal in terms of business units, products/product lines and projects. For FY2021, the consolidated gross profit margin of the Group was approximately 10.84%, representing a year-on-year increase of approximately 3.84%.

The Group recorded an increase in net loss attributable to owners of parent company of approximately 22.1% from RMB42,819,958.90 for FY2020 to RMB52,268,290.85 for FY2021.

Information on Chengdu Siwi High-Tech and China Electronics Technology

According to the Board Letter, Chengdu Siwi High-Tech is a company principally engaged in research, development, production, sales and technical consultancy services for microwave systems, microwave products, communications equipment (excluding radio broadcasting and television transmitting equipment and terrestrial satellite receiving equipment), test equipment, special power supplies, intelligent electromechanical products. Chengdu Siwi High-Tech is wholly owned by the 29th Research Institute. As the 29th Research Institute is the indirect controlling shareholder of the Company and a subordinate business entity of China Electronics Technology, which is the actual controller of the Company, it is a connected person of the Company under the Listing Rules.

China Electronics Technology, the actual controller of the Company and the ultimate beneficial owner of Chengdu Siwi High-Tech, is a major state-owned enterprise and a direct wholly owned subsidiary of the SASAC. It principally engages in the research and manufacturing of products which include electronic equipment, network information systems, industrial foundations, network security and other fields.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Reasons and benefits for entering the Cable Assembly Processing Service Framework Agreement

With reference to the Board Letter, as the Group has formed its high-low frequency cable assembly business capabilities, the Company believes the entering into of the Cable Assembly Processing Service Framework Agreement is necessary for its business development which would strengthen the Group's ability to cope with its competitive market environment and would have the added benefit of securing the Group a stable source of income.

As discussed with the Management, we understood that the Group has long been engaged in the research & development, production and sales of copper cable products and has accumulated broad management and technical capabilities in the production of copper cable products. To further expand its market reach, broaden its production chain and to enhance the competitiveness of the Group's copper cable and related products, the Group has formed its high and low frequency cable component assembly service to improve the profitability and production capability of one of the Group's principal businesses. In addition, the Group intends to gradually apply for entry into the authorized supplier catalogue of companies under China Electronics Technology in view to improve the profitability of the Group.

Based on a news article published by Nikkei Asia, one of the world's largest financial newspaper owned by Nikkei, Inc., we have noted China Electronics Technology became the third largest electronics and IT company in China in terms of revenue in 2021 after the Reorganisation, behind only Huawei Technologies and Lenovo Group in China's IT industry. In addition, based on a news article published by Chinadaily, an English-language daily newspaper owned by the Publicity Department of the Chinese Communist Party, the Reorganisation is considered to strengthen China Electronics Technology advantages in scale, innovation and market, making China Electronics Technology's strategic role more prominent.

Having considered that:

- (i) the Group has formed its high and low frequency cable component assembly business capabilities and has extensive experiences in the cable business. Entering into of the Cable Assembly Processing Service Framework Agreement is necessary for its business development which would strengthen the Group's ability to cope with its competitive market environment;
- (ii) the Group's association with Chengdu Siwi High-Tech could further enhances its reputation amongst potential purchasers within China Electronics Technology, which could help with its supplier qualification process and may further enhances its business growth; and
- (iii) the Group shall be rendered stable source of income with the pricing terms that are no less favourable than available to the independent third-party customers.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We concur with the Directors' view that the entering into the Cable Assembly Processing Service Framework Agreement is conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Independent Shareholders as a whole.

Principal Terms of the Cable Assembly Processing Service Framework Agreement

The principal terms of the Cable Assembly Processing Service Framework Agreement are summarized as below:

Date

29 April 2022 (after trading hours)

Parties

- (1) The Company (as the service provider); and
- (2) Chengdu Siwi High-Tech (as the service recipient)

Nature of the transaction

Subject to the terms and conditions of each relevant purchase order, the Company will supply high-low frequency cable assembling and processing service to Chengdu Siwi High-Tech from time to time during the effective term of the Cable Assembly Processing Service Framework Agreement

Term

The effective term of the Cable Assembly Processing Service Framework Agreement will commence upon the conclusion of the 2021 AGM and end on 31 December 2024, subject to early termination by either party giving at least one month's prior written notice to the other party

Conditions Precedent

The Cable Assembly Processing Service Framework Agreement and transactions contemplated thereunder is conditional upon obtaining the necessary approval and consent under the Listing Rules, which include the approval by the Independence Shareholders at the 2021 AGM

Pricing policy

The price of each transaction will be determined based on the prevailing market price, via a proposal selection process organized by Chengdu Siwi High-Tech

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pricing basis and payment terms

The pricing of the cable assembling and processing services are not fixed and will be determined based on the prevailing market prices, via a proposal selection process organized by Chengdu Siwi High-Tech.

The Group's proposal selection process involves the following steps:

1. receiving the invitation and details by Chengdu Siwi High-Tech for the proposal selection process;
2. assessing the offering documents by the Discipline Audit and Legal Risk Control Department* (紀檢審計與法務風控部) followed by an internal discussion on the proposed price and terms;
3. finalization of the offering documents; and
4. submission of offering documents to Chengdu Siwi High-Tech.

The Group when determining the pricing will consider the following factors:

1. the costs of the cable assembling and processing service plus a fair and reasonable margin;
2. the estimated profitability of the contract; and
3. data obtained internally or through external source in relation to pricing and terms for similar types of works and services.

The fees payable to the Group for provision of the cable assembling and processing services, if awarded, will be settled via bank transfer on a monthly basis based on work done by the Group.

Our analysis

With reference to the Board Letter, as the Continuing Connected Transactions is a new arrangement, there has been no historical transactions conducted by the Group with Chengdu Siwi High-Tech prior to the Cable Assembly Processing Service Framework Agreement, nor has the Group enter into any similar arrangements with other parties for the assembling and processing of high-low frequency cable products that can serve as a reference. Therefore, there is no historical transaction document entered into between the Group and other independent third-party customers made available to us to perform any comparison on terms and pricing basis.

To assess the fairness and reasonableness of the pricing and terms of the Cable Assembly and Processing Service Framework Agreement, we have discussed with the Management, the approach that they will adopt when determining the pricing for each Continuing Connected Transactions. The Management has advised us that a cost-plus

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

profit margin approach will be adopted for determining the pricing of the provision of the cable assembling and processing services. Upon further enquiry, we understood that as the high and low frequency cables required by Chengdu Siwi Hi-Tech are mainly (i) customized products and (ii) the specifications given to the Group are confidential information. There are no readily available public sources to check the market prices or for the Group to readily obtain quotations from independent third parties for similar services. In addition, the pricing of cable assembly and processing service are not subject to any government prescribed price or government guided price. Therefore, the Management considered the cost-plus profit margin approach as the most appropriate method in determining the pricing.

To assess the fairness and reasonableness of adopting the cost-plus profit margin approach, we have reviewed the latest annual reports released by companies selected under the following criteria: (i) over 50% of its revenue is generated from the production and selling of cables in China and (ii) listed in Hong Kong or China. Based on the criteria as aforementioned, we have identified, under the best effort basis, an exhaustive list of 13 comparable companies (the “**Comparables**”) and have noted (i) they have adopted the cost-plus profit margin approach in determining their selling prices; and (ii) their services/products are generally customized in nature as each customer has different circuit designs for their own products, if such disclosures were made in their respective annual report.

With reference to the Board Letter, the gross profit margins for transactions under the Cable Assembly Processing Service Framework Agreement are estimated to be between approximately 10% to 15% (the “**Gross Profit Margin**”), which was determined with reference to (i) the overall gross profit margin of the Group for FY2021 (i.e. 10.84%) and (ii) the expected market competition of the Group during the term of Cable Assembly Processing Service Framework Agreement. To assess the reasonableness of the Gross Profit Margin, we have compared the Gross Profit Margin with reference to the gross profit margins of the Comparables. Set out below are our findings:

	Company Name	Stock Code	Stock Exchange	Main business	Gross profit margin in FY2021
1	Jiangsu Tongguang Electronic Wire and Cable Co Ltd* (江蘇通光電子線纜股份有限公司)	300265	Shenzhen	The company produces and sells fiber optic cables, transmission cables, and equipment cables used mainly in telecommunication, mobile, radio and television, power, railway, other communication, power projects and transportation projects	16.67%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	Company Name	Stock Code	Stock Exchange	Main business	Gross profit margin in FY2021
2	Jiusheng Electric Co., LTD* (久盛電氣股份有限公司)	301082	Shenzhen	The company engages in the development, production, and sale of wires and cables used mainly in heating, electricity, aviation, railway, petroleum, chemical, metallurgy, and other industries	14.74%
3	Henan Tong-Da Cable Co., Ltd.* (河南通達電纜股份有限公司)	002560	Shenzhen	The company researches and develops, and produces wires and cables used mainly in smart grid, electrified railway, urban rail traffic, real estate engineering, home decoration projects	7.14%
4	Far East Smarter Energy Co., Ltd.* (遠東智慧能源股份有限公司)	600869	Shanghai	The company mainly provides cables used mainly in smart grid, green building, clean energy, high-end equipment, and smart transportation fields	13.59%
5	Kingsignal Technology Co., Ltd.* (深圳金信諾高新技術股份有限公司)	300252	Shenzhen	The company researches and develops, produces, and markets standard voice signal cables, connectors, components used mainly in communication and special power supplies industry	12.15%
6	Hangzhou Cable Co., Ltd.* (杭州電纜股份有限公司)	603618	Shanghai	The company engages in the research, development, manufacture, and sale of wires and cables used mainly in the field of CATV system, satellite communications system and equipment signal connection.	14.98%
7	Tongding Interconnection Information Co., Ltd.* (通鼎互聯信息股份有限公司)	002491	Shenzhen	The company engages in the optoelectronic cables used mainly in the broadband access, network security, big data, and Internet of Things businesses	13.41%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	Company Name	Stock Code	Stock Exchange	Main business	Gross profit margin in FY2021
8	Jiangsu Zhongchao Holding Co., Ltd.* (江蘇中超控股股份有限公司)	002471	Shenzhen	The company engages in the design, research and development, production, and sales of wire and cable products used mainly in the construction and reconstruction of urban and rural power grids	11.14%
9	Yuan Cheng Cable Co.,Ltd.* (遠程電纜股份有限公司)	002692	Shenzhen	The company engages in the design, research and development, production, and sales of wire and cable products used mainly in nuclear energy, metallurgy, petrochemical, higher and municipal engineering sectors	11.93%
10	Sinostar Cable Co., Ltd.* (中辰電纜股份有限公司)	300933	Shenzhen	The company designs, manufactures, and sells wires and cables, and its accessories used mainly in electric power, energy, coal, transportation, petroleum, petrochemical, national defense, urban construction, and other fields	14.36%
11	Jinlongyu Group Co., Ltd.* (金龍羽集團股份有限公司)	002882	Shenzhen	The company engages in the research and development, production, sale, and service of wires and cables used mainly in power projects	11.60%
12	Sunway Co., Ltd.* (尚緯股份有限公司)	603333	Shanghai	The company engages in the design, manufacturing, and sale of cable products used mainly in nuclear power stations	16.60%
13	Putian Communication Group Limited* (普天通訊集團有限公司)	01720	Hong Kong	The company produces and sells optical fiber cables, communication copper cables, and structured cabling system products used mainly in the telecommunications industry	9.10% (Note 1)
				Low	7.14%
				Median	13.41%
				High	16.67%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Source: Annual reports published by the relevant listed companies in the website of their respective stock exchange and their respective company websites

Note 1: Putian Communication Group Limited did not separately disclose its gross profit margin for each major business segment, the above gross profit margin is calculated by dividing the reportable segment profit over reportable segment revenue of its communication copper cables segment for FY2021.

Our comparison as presented above shows that the Gross Profit Margin were within the range to those of the Comparables. In addition, as the cable products are customized products, the Management has advised us they will consider the different specifications and technicality involved when determining the gross profit margin for each Continuing Connected Transactions. As the products of the Comparables covered a variety of industries for different types of usage, we consider the Gross Profit Margin suggested by the Group to be fair and reasonable.

We have discussed with the Management and understood that to ensure that the pricing (i.e. determined through the cost-plus profit margin approach) and payment terms and conditions are no less favourable than the market level, the Group will assign the Discipline Audit and Legal Risk Control Department* (紀檢審計與法務風控部) to review the offering documents of every transaction with Chengdu Siwi Hi-Tech, which includes pricing and payment terms offered, to ensure all transactions with Chengdu Siwi Hi-Tech will comply with the terms of the Cable Assembly Processing Service Framework Agreement. We were further advised that the Discipline Audit and Legal Risk Control Department*(紀檢審計與法務風控部) is responsible for supervising the Company's internal audit function, covering all business functions of the Company and the establishment and control of the legal and risk management system of the Company. We consider that the effective implementation of such internal control measures would help to ensure fair pricing of the Continuing Connected Transactions according to its pricing policies. The Group has also adopted a series of internal control procedures against the Continuing Connected Transactions. Further details of the internal control measures are set out in the Board Letter.

To further assess whether the proposal selection process organized by Chengdu Siwi High-Tech is conducted in the ordinary course of business and could ensure the transactions will be conducted on normal commercial terms. We have discussed with the manager responsible for production planning of Chengdu Siwi Hi-Tech to understand its proposal selection process. We were advised that potential suppliers must pass Chengdu Siwi Hi-Tech's internal qualification procedures before they could participate in the proposal selection process, which is mainly based on its qualifications, product quality and business scale. We were advised by the manager responsible for production planning of Chengdu Siwi Hi-Tech that the Group as at the Latest Practicable Date has qualified. The proposal selection process will be organized by Chengdu Siwi Hi-Tech itself. Chengdu Siwi Hi-Tech will invite at least three qualified suppliers to submit their offering documents for the provision of the cable assembling and processing services. Qualified suppliers will be selected based on the seniority of their rankings by an overall assessment score (including, among others, product price, product quality, service quality and qualifications) judged by different departments of Chengdu Siwi Hi-Tech. Besides the Group, Chengdu Siwi Hi-Tech currently has not less than five qualified suppliers that could provide cable assembling

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

and processing services. Based on the above, we consider the proposal selection process of Chengdu Siwi High-Tech is conducted in the ordinary course of business and the proposal selection process will ensure the Continuing Connected Transactions to be conducted on fair and normal commercial terms.

Our view

Considering (i) a cost-plus profit margin approach will be adopted for determining the pricing of the provision of the cable assembling and processing services which would ensure the Group to obtain a fair and reasonable margin; (ii) the Gross Profit Margin will be generally in line with the industry; and (iii) the internal control measures as discussed below, we concur with the view of Directors that the terms of the Cable Assembly Processing Service Framework Agreement are fair and reasonable and on normal commercial terms as far as the Independent Shareholders are concerned.

Internal control measures

To ensure that the Group complies with the pricing policies, the monitoring of the aggregate accumulated transaction amount and the approval of the Annual Caps under the Cable Assembly Processing Service Framework Agreement, the Company has adopted a series of internal control policies in its daily operations. Details of the procedures are set out under the section headed “Internal control measures” of the Board Letter.

Our analysis

Given that there is no historical transaction between the Group and Chengdu Siwi High-Tech prior to the date of the Cable Assembly Processing Service Framework Agreement, there is no historical transaction record and internal approval document available in respect of the Continuing Connected Transactions for our review. However, we have noted that the Company has other ongoing continuing connected transactions and noted from the 2021 Annual Report of the Company that, in accordance with the Listing Rules, (i) the Company had engaged independent auditors to report on the continuing connected transactions of the Group for the year ended 31 December 2021 and the independent auditors of the Company issued their unqualified letters in respect of such transactions; and (ii) the independent non-executive Directors had also reviewed the continuing connected transactions of the Group for the year ended 31 December 2021 and confirmed that such transactions were, among other things, in the ordinary course and usual course of business of the Group, on normal commercial terms and in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

We have also obtained the internal control manual on continuing connected transactions of the Company (the “**Internal Control Manual**”) and noted the internal control procedures adopted against the Continuing Connected Transactions are in line with the Internal Control Manual.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition, we have obtained and reviewed a briefing of the Group's continuing connected transactions for the three months ended 31 March 2022 prepared by the Company and noted that they have reviewed, among others, whether the annual caps of the Group's continuing connected transactions were exceeded under the review period.

Our view

Given the above, we consider there exists appropriate procedures to ensure the Continuing Connected Transactions will be conducted on terms that are fair and reasonable and in the interest of the Independent Shareholders.

Proposed Annual Caps

Set out below are the Annual Caps for the three years ending 31 December 2024:

	For the period from the date of 2021 AGM to 31 December 2022	For the year ending 31 December	
		2023	2024
		<i>(RMB in thousands)</i>	
Provision of high-low frequency cable products assembling and processing services	110,000	240,000	280,000
Total	110,000	240,000	280,000

With reference to the Board Letter, the Annual Caps were determined based on the following factors:

1. the expected price to be charged by the Group for the cable assembly and processing services; and
2. the expected demand for the cable assembly and processing services from Chengdu Siwi High-Tech to the Group; and
3. the estimated production capacity of the Group

Our analysis

Given that the Cable Assembly Processing Service Framework Agreement is a new arrangement with Chengdu Siwi High-Tech, there is no historical amount incurred between both parties prior to the date of the Cable Assembly Processing Service Framework Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

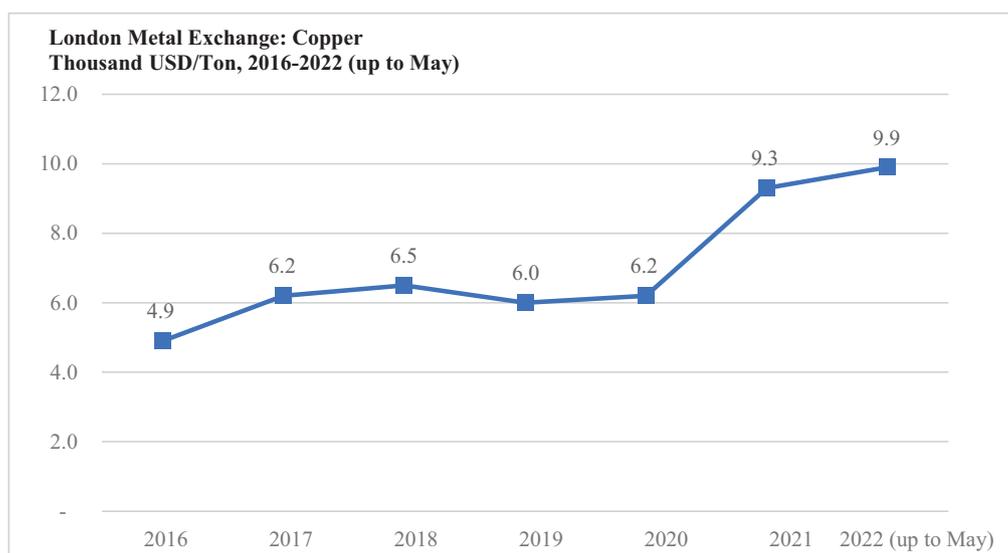
To assess the fairness and reasonableness of the Annual Caps, we have gathered market information, discussed with the Management and the manager responsible for production planning of Chengdu Siwi High-Tech , and considered the factors as below:

- (i) *Expected price to be charged by the Group for the cable assembly and processing services*

With reference to the Board Letter, the Company expects the average market price charged for the transactions under the Cable Assembly Processing Service Framework Agreement during the term will remain relatively stable.

As discussed above, the pricing of the cable assembly and processing services will be based on cost-plus profit margin approach. With reference to the Board Letter, the major cost in the provision of the cable assembly and processing services will be the cost of raw materials which is copper, which the Company expects will remain relatively stable during the term of the Cable Assembly Processing Service Framework Agreement given that the average market price of copper has already risen significantly in 2021. The expected copper price trend made by the Directors during the term of Cable Assembly Processing Service Framework Agreement were made with reference to (i) the historical price trend of copper and (ii) the expected supply and demand of copper during the terms of the Cable Assembly Processing Service Framework Agreement.

To assess the fair and reasonableness of the expected copper price trend made by the Directors during the term of the Cable Assembly Processing Service Framework Agreement. We have searched over the internet to understand the historical and forecast market price for copper. Set out below is the historical price trend of copper for the period 2016 to 2022 (up to May):



LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown in the above chart, the price of copper showed an upward trend from 2016 to 2018, followed by a slight decline in 2019. In 2020, the price of copper remained relatively flat. Beginning in 2021, the price of copper has increased significantly primarily due to the supply disruption arising from the COVID-19 pandemic. We have also noted the price of copper has ranged from approximately US\$9,018 per ton to US\$10,730 per ton over the first five months of 2022, averaging approximately US\$9,961 per ton, representing an increase of approximately 6.9% compared to the average market price of copper for 2021. However, the price of copper has also fell to an eight-month low on the third week of May 2022 of approximately US\$9,018 per ton, as aggressive US rate-hike bets and lockdowns in China led to slowdown concerns. In addition, according to market updates published by the World Bank, copper prices reached an all-time nominal high in early March 2022. Prices have been buoyed by low inventories and solid demand in China and advanced economies stemming from robust durable goods consumption. The copper market has been affected by water shortages in Chile and labor disputes in Peru. Copper prices are projected to increase by 8% in 2022 as constraints in Chile and Peru persist, and as one of China's major smelters is facing credit issues. Prices are expected to ease in 2023 as new projects come online, including in Chile, the Democratic Republic of Congo, Mongolia, and Peru.

In addition, we have also noted on the website of London Metal Exchange (<http://www.lme.com/>), the world's largest exchange for options and futures contracts for base metal, copper price contracts with expiry dates at 18 August 2022, 20 December 2023 and 18 December 2024 are currently trading at US\$ 9,210 per ton, US\$9,155 per ton and US\$9,125 per ton.

Given that (i) copper prices have already increased significantly by 51% between 2020 vs 2021; and (ii) the market consensus estimate of the price of copper is to remain at similar level based on the latest status of world economy. We consider the expected copper price trend adopted by the Company to be fair and reasonable.

We have also noted in the 2021 Annual Report that the Group has established a "copper locking" mechanism and a raw material price negotiation mechanism to avoid the impairment of pending contracts. Based on our discussion with the Management, the procurement department purchases the required raw materials from suppliers in accordance with production plans formulated by its production department. The Company devise and implement raw materials procurement plans in line with its production plans which are primarily based on periodical review of customers' orders to reduce its exposure to fluctuations of the prices for its raw materials. For the procurement of copper, the Company will generally pre-order and pay a deposit to the supplier to secure its desired quantity at a fixed price and the copper will be delivered directly to the Company at an agreed date. The Group also maintained a list of suppliers comprising multiple suppliers for the same supply of raw materials to ensure the Group always have available alternative sources of supplies and could be sourced at competitive market prices.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As the pricing of the cable assembly and processing services are not fixed and is based on a cost-plus margin basis, the relatively stable price of copper during the term as explained above will translate into a relatively stable market price charged for each Continuing Connected Transactions. Therefore, we consider assuming a relatively stable market price charged for the related services during the Term to determine the Annual Caps is a fair and reasonable approach.

Based on the above, we concur with the Directors that the expected average market price charged for the related services during the Term will fluctuate in line with the price of copper and remain relatively stable and assuming a stable average market price charged for each Continuing Connected Transactions to calculate the Annual Caps to be fair and reasonable.

(ii) Expected demand for the cable assembly and processing services from Chengdu Siwi High-Tech to the Group

As discussed with the Management, we understood that the expected demand for the three years ending 31 December 2024 was the projected demand as indicated by Chengdu Siwi High-Tech to the Company with reference to the projects that were and will be awarded to Chengdu Siwi High-Tech. As depicted from the above table, we noticed a growth rate of approximately 118.1% in the annual cap for the year ending 31 December 2023 as compared to the prior year and a growth rate of approximately 16.7% in the annual cap for the year ending 31 December 2024 as compared to the prior year. We have enquired the Management and noted that the Management expect to receive orders from Chengdu Siwi High-Tech in the 2nd half of 2022 (i.e. after the Cable Assembly Processing Service Framework Agreement has been approved by the Shareholders). Having considered that (i) there are no obvious seasonality in the cable assembly and processing industry; and (ii) the annualized transaction amounts for the year ending 31 December 2022 as compared to the year ending 31 December 2023 is an increase of approximately 9.1%. We considered such growth rates to be reasonable and acceptable as explained below.

To assess the fairness and reasonableness of the projected demand from Chengdu Siwi High-Tech, we have interviewed with the manager responsible for production planning of Chengdu Siwi High-Tech to understand their basis of determination. We were advised Chengdu Siwi High-Tech has incurred the amount of approximately RMB150,000 thousand in cable assembly and processing in FY2021. The annualized annual cap for the year ending 31 December 2022 represents a growth of approximately 46.7% as compared to FY2021. Upon our further enquiry, we understood that a higher growth rate is expected for this and coming years as Chengdu Siwi High-Tech has completed a technological development and has begun to apply the new technology into its products. As the new technology is an update to a fundamental piece for many applications used in the defense and security sector in China, Chengdu Siwi High-Tech expect there will be a strong demand for its new products and the purchase of cable assembly and processing service will increase accordingly and expect to grow by approximately 30% annually for the coming years. We were further advised that Chengdu Siwi High-Tech has estimated the approximate number of applicable platforms that will require update with their new products. Since each applicable

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

platform will require certain amount of cables, Chengdu Siwi High-Tech was able to form a reasonable basis of their demand for cable assembly and processing services for the coming years.

As the customers of Chengdu Siwi High-Tech are mainly related to the defense and security industry in China. We have also searched over the internet to understand the prospect of the defense and security industry in China. The Chinese government has announced a 2022 defence budget of RMB1.45 trillion, a year-on-year increase of 7.1%. The expenditure represented the seventh consecutive year of single-digit growth. It is also the highest increase since the start of the pandemic. Increases in 2020 and 2021 were recorded at 6.6% and 6.8% respectively. Moreover, according to the draft budget proposals presented by Premier Li Keqiang to the National People's Congress in March 2022, he has announced to move faster to modernise the military's logistics and asset management systems, and build a modern weaponry and equipment management system. Market updates published by AVIC Securities Co., Ltd.* (中航證券有限公司) reported that the median net profit growth rate of the listed companies in the military industry in China in 2020 was 27%, and that in 2021 increased significantly to between 33% and 38%, based on their preliminary annual results announcements. Moreover, according to market updates published by Dongguan Securities Co., Ltd.* (東莞證券股份有限公司), the net profit of the overall industry has achieved a growth rate of more than 20% for five consecutive years, and the industry's prosperity is expected to continue to improve. Based on the above, we consider the potential growth of the Chengdu Siwi High-Tech's business for the coming years to be a reasonable estimate.

To assess the fairness and reasonableness of the expected demand, we have obtained and reviewed the Company's sales forecast to Chengdu Siwi High-Tech for the 6 months ending 31 December 2022, showing the estimated monthly demand from Chengdu Siwi High-Tech for each major category of products (the "**2022 Estimated Demand**"). We have noted there are no material fluctuations between each month in the 2022 Estimated Demand. Upon our further enquiry, we were advised that the biddings of the customers of Chengdu Siwi High-Tech's are distributed evenly throughout the year, thus there is no obvious seasonality.

We noted the annual cap for the year ending 31 December 2022 represents approximately the full amount of the 2022 Estimated Demand, which represents the maximum portion of the cable assembly and processing services to be provided by the Group if the Group is to be selected as the service provider. Given (i) the Group has appropriate internal control policies in place to safeguard the interest of the Independent Shareholders and (ii) the selection of the Group is through a proposal selection process and if the Group is able to rank the highest in the overall assessment, we consider the use of the full amount of the 2022 Estimated Demand for arriving at the annual cap for the year ending 31 December 2022 to be reasonable and could avoid unnecessary revisions in the future.

(iii) Expected production capacity of the Group

We further noted the Annual Caps represents a substantial portion as compared to the historical revenue of the Group for FY2021. The Annual Cap for the three years ending 31 December 2024 represented approximately 36.7%, 73.3% and 93.3%,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

respectively, as compared to the total revenue of the Group for FY2021. We have enquired the Management in this regard and understood the Group has expanded its production capacity for high and low frequency cable component assembly since last year and the Continuing Connected Transactions will not affect the Group's abilities in serving its existing and potential independent third-party customers. The Management are of the view that the Group will not have a heavy reliance on Chengdu Siwi High-Tech.

With reference to the Board Letter, the high-low frequency cable products assembly business is a new service provided by the Group and has its own separate production line which will not affect the Group's existing production capacity for its other products/services. The Annual Caps represents additional potential revenue that could be generated by the Group. With the transaction amount under the Annual Caps included in the total revenue for the upcoming years, the actual proportion of it relative to the total revenue for the two years ending 31 December 2024 is expected to be lower. In addition, the Group (i) intends to further develop its high-low frequency cable products assembling and processing services and acquire other customers and extend similar service offerings with them and (ii) the Group will continue to strengthen its other business segments to reduce the proportion of revenue generated from the Continuing Connected Transactions to the overall revenue of the Group. We consider the above measures will help gradually reduce the expected revenue contribution from Chengdu Siwi High-Tech towards the total revenue of the Group.

With reference to the Board Letter, the Group has considered the expected demand from Chengdu Siwi High-Tech when designing the production capacity for the high-low frequency cable products assembly business. The Group's production facilities of high-low frequency cable products are not specifically designed to cater solely for Chengdu Siwi High-Tech, or any of its customers. If the Group fails in Chengdu Siwi High-Tech's proposal selection and could not obtain any further purchase orders, the Group is capable of allocating the production capacity to service other customers.

Based on our discussion with the Management, the Group has an experienced sales team which has sufficient knowledge in the sales channels, coupled with the fact that the Management has extensive experience in the copper cable industry and is capable of developing customer base due to their wide network, especially after the Reorganisation. We consider the Group will be able to sell the high-low frequency cable products assembling and processing service to other customers, if it so needs and wishes.

Based on the above, we concur with the Directors that the Group will not have a heavy reliance on Chengdu Siwi High-Tech.

As the transaction amounts under the Cable Assembly Processing Service Framework Agreement would eventually depend on the outcome of the Chengdu Siwi High-Tech's proposal selection process, which are beyond the control of the Group. Therefore, we consider it difficult for the Management to determine the Annual Caps with high degree of certainty. Also, the Cable Assembly Processing Service Framework Agreement is a new arrangement between the Group and Chengdu Siwi High-Tech, and there is no historical transaction that can be referenced and indicative of the future

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

transactions amount. Nonetheless, we consider that it is in the interests of the Group to determine the Annuals Caps which can accommodate the potential growth of the Chengdu Siwi High-Tech's business.

Our view

Based on the factors and reasons discussed above, and after considering that (i) the Continuing Connected Transactions are of revenue nature; (ii) the expected strengthening of bond and cooperation between the Group and the Chengdu Siwi High-Tech Electronics following completion of the Transfer; and (iii) Chengdu Siwi High-Tech is a sizeable PRC state-owned corporation, we concur with the Directors' view that the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

However, as the Annual Caps relate to future events and are based on assumptions that may or may not remain valid for the entire period up to 31 December 2024, and they do not represent forecasts of revenue/income/cost to be incurred from the Continuing Connected Transactions. We express no opinion as to how closely the actual revenue to be recognized from the Continuing Connected Transactions will correspond the Annual Caps.

RECOMMENDATION

Having considered the above factors and reasons, we are of the opinion that (i) the entering into of the Cable Assembly Processing Service Framework Agreement is in the ordinary and usual course of business of the Company; (ii) the terms of the Cable Assembly Processing Service Framework Agreement are on normal commercial terms and which, altogether with the Annual Caps, are fair and reasonable, and the Continuing Connected Transactions are in the interest of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favor of the resolutions to be proposed at the 2021 AGM to approve the Cable Assembly Processing Service Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
Zero2IPO Capital Limited
Yang Peng
Managing Director

Note: Mr. Yang Peng is a licensed person registered with the Securities and Futures Commission and a responsible officer of Zero2IPO Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 10 years of experience in investment banking industry.

1. RESPONSIBILITY STATEMENT

This 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 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 circular misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, none of the Directors or supervisors or chief executives of the Company was interested in any share, underlying share or debenture of the Company or other 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 or short positions which any Director or supervisor or chief executive of the Company are taken or deemed to have under such provisions of the SFO); or had any interest or short position which 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, 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 2021, 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 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.

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 2021, being the date to which the latest published audited financial statements of the Company were made up.

8. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice contained in this circular:

Name	Qualification
Zero2IPO Capital Limited	A corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, the Independent Financial Adviser was not beneficially interested in the share capital of the Group nor did it have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in the Group.

As at the Latest Practicable Date, the Independent Financial Adviser had no direct or indirect interest in any assets which had been since 31 December 2021 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to the Group, or were proposed to be acquired or disposed of by or leased to the Group.

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular, with the inclusion therein of its letter(s), report(s), opinion and/or the references to its name in the form and context in which it appears.

9. 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, 611731, the PRC. The principal place of business of the Company in Hong Kong is at Unit 105, 1/F, Mirror Tower, 61 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong.

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

The company secretary of the Company is Mr. Shum Shing Kei, who is a fellow of The Hong Kong Institute of Certified Public Accountants.

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

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website (<http://www.cdc.com.cn>) for a period of 14 days from the date of this circular:

- (a) the Cable Assembly Processing Service Framework Agreement;
- (b) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 22 to 23 of this circular;
- (c) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 24 to 43 of this circular; and
- (d) the written consent of the Independent Financial Adviser referred to in the paragraph headed "Expert and Consent" in this appendix.

NOTICE OF 2021 AGM



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)

The annual general meeting (the “AGM”) of Chengdu PUTIAN Telecommunications Cable Company Limited (the “Company”) for the year 2021 will be held 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 10:00 a.m. on Thursday, 30 June 2022 for the following purposes:

- (1) To consider and approve as ordinary resolutions:
 - a. the report of the board of directors (the “Board”) of the Company for the year 2021;
 - b. the report of the supervisory committee of the Company for the year 2021;
 - c. the audited financial report of the Company for the year 2021;
 - d. the distribution plan of profits attributable to the Shareholders (i.e., no dividend being proposed) for the year 2021;
 - e. the re-appointment of Da Hua Certified Public Accountants as the Company’s auditors (the “Auditors”) and authorization to the Board to fix the Auditors’ remuneration; and
 - f. the Cable Assembly Processing Service Framework Agreement, the proposed annual caps and the transactions contemplated thereunder.

- (2) To consider and approve as special resolution:
 - a. the Proposed Change of Company Name; and
 - b. the proposed amendments to the Article of Association.

By order of the Board

Chengdu PUTIAN Telecommunications Cable Company Limited

Li Tao

Chairman

Chengdu, the PRC, 31 May 2022

NOTICE OF 2021 AGM

Notes:

- (1) Holders of the Company's H shares ("**H Shares**") are reminded that the register of members of the H Shares will be closed from 31 May 2022 to 30 June 2022 (both days inclusive), during which no transfer of H Shares will be registered. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's H Share registrar (Hong Kong Registrars Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong) before the close of business hours (4:30 p.m.) on 30 May 2022.
- (2) Shareholders of the Company whose names appear on the register of members at the business hours on 29 June 2022 are entitled to attend and vote at the AGM (or any adjourned meetings thereof).
- (3) Each shareholder of the Company who has the right to attend and vote at the AGM is entitled to appoint one or more proxy(ies) to attend and vote on his/her behalf. A proxy needs not be a shareholder of the Company. When a shareholder of the Company appoints more than one proxy to attend the AGM, each proxy should be appointed in writing and each proxy can only vote in accordance with the authorized number of shares specified on the proxy form. The proxy may only vote in poll. Any shareholder who intends to appoint one or more proxy(ies) should first read the accompanying circular.
- (4) If a proxy is appointed to attend the AGM on behalf of the shareholder, such proxy should present his identity card and the proxy form with the date of issue stated thereon or documents of authorization duly signed by his statutory agent. If the corporate representative of a corporate shareholder attends the AGM, he should present his identity card and a valid document that proves his capacity of the corporate representative. If a corporate shareholder appoints his attorney other than the corporate representative to attend the AGM, then the attorney should present his identity card and the document of authorization signed under the official seal of the corporate shareholder or duly signed by the corporate representative.
- (5) If a proxy form is signed by a person authorized by the appointor, the copy of the power of attorney or other authorization document must be notarially certified by lawyers. To be valid, a copy of such power of attorney or other documents of authorization and the proxy form must be delivered to the Company's H Share registrar, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for the holders of H Shares or for the holders of domestic shares, to the registered office of the Company at No. 18, Xinhang Road, the West Park of Hi-tech Development Zone, Chengdu, Sichuan Province, the PRC (postal code: 611731) not less than 24 hours before the holding of the AGM or not less than 24 hours before the time appointed for taking poll.
- (6) The AGM is expected to last for half a day. Shareholders of the Company and their proxies who attend the meeting shall be responsible for their own traveling and accommodation arrangement and expenses.

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

Executive Directors:

Ms. Li Tao (*Chairman*)
Mr. Li Jianyong
Mr. Hu Jiangbing
Mr. Wu Xiaodong
Mr. Zhu Rui
Mr. Jin Tao

Independent Non-executive Directors:

Ms. Fu Wenjie
Mr. Xiao Xiaozhou
Mr. Zhong Qisui