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If you have sold or transferred all your shares in Chengdu SIWI Science and Technology 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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CHENGDU SIWI SCIENCE AND TECHNOLOGY COMPANY LIMITED

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

(Stock Code: 1202)

**(1) CONTINUING CONNECTED TRANSACTIONS —
2024 OPTICAL CABLE AND ELECTRIC CABLE COMPONENT
MANUFACTURING FRAMEWORK AGREEMENT;
(2) PROPOSED ELECTION OF BOARD OF DIRECTORS;
AND
(3) NOTICE OF EGM**

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



A letter from the Board is set out on pages 4 to 19 of this circular.

A notice convening the EGM to be held at 10 a.m., on Tuesday, 12 November 2024 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 EGM-1 to EGM-2 of this circular.

A form of proxy for use at the EGM 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 EGM, 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 EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending the EGM and voting in person if you so wish.

25 October 2024

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DEFINITIONS

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

“2022 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
“2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement”	the agreement entered into between the Company and Chengdu Siwi High-Tech on 25 September 2024, pursuant to which the Company agreed to manufacture and supply optical cables and electric cable components to Chengdu Siwi High-Tech from time to time
“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
“Articles” or “Articles of Association”	the articles of association of the Company, as amended from time to time
“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“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 a substantial shareholder of the Company
“Chengdu Siwi High-Tech”	Chengdu Siwi High-Tech Industrial Co., Ltd. (成都四威高科技產業園有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of 29th Research Institute and a 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 SIWI Science and Technology Company Limited (成都四威科技股份有限公司), a sino-foreign joint stock limited company incorporated in the PRC, whose H Shares are listed on the Main Board of the Stock Exchange

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“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 to it under the Listing Rules
“Continuing Connected Transactions”	the continuing transactions between the Company and Chengdu Siwi High-Tech pursuant to the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement
“controlling shareholder”	has the same meaning ascribed to it 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
“EGM”	the extraordinary general meeting of the Company to be held at No. 18, Xinhang Road, the West Park of Hi-tech Development Zone, Chengdu, Sichuan Province, the PRC on Tuesday, 12 November 2024 at 10 a.m. or any adjournment thereof
“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 PRC
“Independent Board Committee”	the committee of the Board comprising Ms. Fu Wenjie, Mr. Zhong Qishui, Mr. Xue Shujin, all being independent non-executive Directors, formed to advise the Independent Shareholders on the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement, the proposed annual caps and the transactions contemplated thereunder

DEFINITIONS

“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) and the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement, the proposed annual caps and the transactions contemplated thereunder
“Independent Shareholders”	Shareholder(s) other than Chengdu Siwi High-Tech and its associates
“Latest Practicable Date”	23 October 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“PRC” or “China”	the People’s Republic of China, for the purpose of this circular excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“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 (Chapter 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
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“%”	per cent.

LETTER FROM THE BOARD



成都四威科技股份有限公司

CHENGDU SIWI SCIENCE AND TECHNOLOGY COMPANY LIMITED

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

(Stock Code: 1202)

Executive Directors:

Ms. Li Tao (*Chairman*)

Mr. Wu Xiaodong

Mr. Hu Jiangbing

Mr. Jin Tao

Mr. Chen Wei

Mr. Xu Jiaxin

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. Zhong Qishui

Mr. Xue Shujin

Principal place of business

in Hong Kong:

Unit 105, 1/F., Mirror Tower

61 Mody Road, Tsim Sha Tsui

Kowloon

Hong Kong

25 October 2024

To the Shareholders

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS —
2024 OPTICAL CABLE AND ELECTRIC CABLE COMPONENT
MANUFACTURING FRAMEWORK AGREEMENT;
(2) PROPOSED ELECTION OF BOARD OF DIRECTORS;
AND
(3) NOTICE OF EGM**

1. INTRODUCTION

Reference is made to the announcement of the Company dated 25 September 2024 in relation to, among other things, the continuing connected transactions between the Company and Chengdu Siwi High-Tech under the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement and the announcement of the Company dated 18 October 2024 in relation to the election of the eleventh session of the Board. Both matters are subject to the approval by the Shareholders at the EGM.

LETTER FROM THE BOARD

The purpose of this circular is to give you the notice of the EGM and to provide you with (i) further details on the Continuing Connected Transactions under the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement; (iv) the proposed election of the eleventh session of the Board; and (v) other information prescribed by the Listing Rules.

2. CONTINUING CONNECTED TRANSACTIONS

A. Background

Reference is made to the announcement of the Company dated 29 April 2022 in relation to the 2022 Cable Assembly Processing Service Framework Agreement. As the 2022 Cable Assembly Processing Service Framework Agreement will be due to expire on 31 December 2024 (subject to early termination) and in consideration of the actual business development of the Group, the Board proposes to enter into the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement with Chengdu Siwi High-Tech.

On 25 September 2024, the Company entered into the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement with Chengdu Siwi High-Tech, pursuant to which the Company agreed to manufacture and supply optical cables and electrical cable components and related products to Chengdu Siwi High-Tech from time to time, with a term of three years effective from 1 January 2025.

As the annual caps for the transactions contemplated under the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement is more than HK\$10,000,000 and at least one of the applicable percentage ratios related to the proposed annual caps are higher than 5%, the transactions contemplated under the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement will be subject to reporting, annual review, announcement and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

B. Summary of Terms of the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement

The principal terms of the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement are summarised as follows:

Date	25 September 2024
Term	From 1 January 2025 to 31 December 2027
Parties	(1) the Company (2) Chengdu Siwi High-Tech

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Nature of the transactions Subject to the terms and conditions of each relevant purchase order, the Company shall manufacture and supply optical cable and electric cable components and related products to Chengdu Siwi High-Tech from time to time during the effective term of the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement

Condition precedent The 2024 Optical Cable and Electric Cable Component Manufacturing 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 Independent Shareholders at the EGM

C. Pricing basis and payment terms

The components and products in which the Company sells to Chengdu Siwi High-Tech are customised and tailor-made products based on the specifications required by Chengdu Siwi High-Tech, the price of these components and products are not fixed.

The price of the cable components shall be determined on a “cost-plus” basis by reference to the Company’s cost of sale, including, the costs of raw materials and other direct costs that make the cable components up to the sellable status, and a predetermined profit margin. The Company considers that the gross profit margin of the transactions contemplated under the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement should be no less than 15%, with reference to the historical transactions between the Company and Chengdu Siwi High-Tech under the 2022 Cable Assembly Processing Service Framework Agreement, the expected market competition during the term of the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement and the market practice by other industry players. Under certain circumstances, the gross profit margin may fall below 15%. In these circumstances, other than the gross profits recognised from the relevant contracts or purchase orders, the Company will take into account whether the contract for services may help the Company to explore more future business opportunities with Chengdu Siwi High-Tech.

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The Board is of the view that the above gross profit margin level (i.e. not less than 15%) can ensure that the above transactions are conducted on normal commercial terms and on terms no less favourable than those offered by the Company to independent third party customers, which are mainly based on the following considerations:

- (i) the components and products to which such gross profit margin apply are usually non-standardised products (i.e. Chengdu Siwi High-Tech shall provide the complete task requirements and supporting materials in the form of drawings, processes, technical requirements, and technical specifications according to its own needs);
- (ii) the gross profit threshold is in line with the common practice in the cable components industry; and
- (iii) the Company has compared the historical transactions between itself and Chengdu Siwi High-Tech under the 2022 Cable Assembly Processing Service Framework Agreement and made reference to the cost of raw materials of manufacturing and supplying cable components and the expected increasing market competition during the term of the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement.

Based on the historical transactions with Chengdu Siwi High-Tech, the range of gross profit margins of the Company for transactions under the 2022 Cable Assembly Processing Service Framework Agreement ranged from 20% to 40% and there are no historical transactions with gross profit margin falling below 15%. In determining the gross profit margins level, the Company also made references to the gross profit margin of other industry players to ensure alignment with market standards.

In case of a transaction with Chengdu Siwi High-Tech under any relevant contract or purchase order is with a gross profit margin of less than 15%, the deputy general manager or general manager in charge will take steps to ensure that the terms of the relevant purchase order will be not more favourable than those offered to independent third party customers of the Company for similar cable components and products before accepting such order (if applicable). Such steps will include specifically comparing and reviewing the service fees offered to both Chengdu Siwi High-Tech and independent third party customers for similar cable components and products in recent transactions and make sure that the relevant margin to be offered to Chengdu Siwi High-Tech under the relevant purchase order will be at least the same or better. There may be other circumstances when there is no prevailing market price or comparable figures available for components and products supplied by the Group to Chengdu Siwi High-Tech due to the technical specifications required by Chengdu Siwi High-Tech. In these circumstances, it is difficult to compare the same type and quality of products or services from independent third parties suppliers on the same conditions, or that Chengdu Siwi High-Tech would have directly approached other independent third party suppliers for quotation. Under such situation, it is difficult for the Company to directly compare fee quotation from independent third parties for similar services provided under the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement. The relevant person-in-

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charge will take into account the value of the underlying contract with Chengdu Siwi High-Tech, the market strategy of the Group, the maintenance of the future business relationship with Chengdu Siwi High-Tech, the gross profit margin of the Company and other commercial factors.

For all transactions under the relevant contracts or purchase orders which are not conducted with a gross profit margin of not less than 15%, the Market Research and Development Department* (市場研發部) will submit the actual gross profit margin evaluated by the Finance Department and the relevant supporting documents to the deputy general manager or even the general manager in charge of the operation for approval. The Company could only supply products and services related to optical cables and cable components to Chengdu Siwi High-Tech upon the approval. The same pricing policy is also applied in circumstances where the cable components are manufactured and supplied to other independent third party customers. The Directors are of the view that such procedures are reasonably sufficient to ensure that the terms of the relevant contract and/or purchase order will be no more favourable than those offered by the Company to independent third party customers, are fair and reasonable, on normal commercial terms, and in the interests of the Company and its Shareholders as a whole.

Chengdu Siwi High-Tech shall pay to the Company through bank transfer, bank acceptance bills, or commercial acceptance bills.

D. Historical amount

The table below set forth the historical amounts under the 2022 Cable Assembly Processing Service Framework Agreement for the two years ended 31 December 2023 and for the eight months ended 31 August 2024.

Transaction	For the year ended 31 December 2022	For the year ended 31 December 2023	For the eight months ended 31 August 2024
		<i>(RMB'000)</i>	
Provision of high-low frequency cable products assembling and processing services	31,746	77,049	31,385

The annual caps previously set for the three years ended 31 December 2024 were RMB110,000,000, RMB240,000,000 and RMB280,000,000, respectively, and the corresponding utilisation rates against the relevant annual caps are 28.86%, 32.10% and 11.2%.

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The relatively low utilisation rate is attributable to the recent establishment of the Company's cable assembly and cable component business segment, which was commenced in 2021 and formally undertook orders in 2022, as disclosed in the Company's annual report for the financial year ended 31 December 2022. The development of the cable assembly business and cable component business requires time and resources to implement key steps such as the establishment of quality control measures, development of material procurement and supply management system, attaining certain certifications, talent recruitment and training and the formation of production and assembly capacity.

Given the specialized nature and complexity of this business segment, the aforementioned steps are critical in ensuring the Group's capability to meet the quality requirements of the customers. The time and resources invested in implementing these measures and the Company's cautious approach in scaling up the operations have contributed to the relatively low utilisation rates during the term of the 2022 Cable Assembly Processing Service Framework Agreement.

E. The proposed annual caps

The Board proposes that the below proposed annual caps be set for the Continuing Connected Transactions with Chengdu Siwi High-Tech for the years ending 31 December 2025, 2026, and 2027:

Transaction	For the years ending 31 December		
	2025	2026	2027
	<i>(RMB'000)</i>		
Manufacture and supply of Optical Cable and Electric Cable Component	180,000	200,000	240,000

In light of the transition from providing high-low frequency cable assembling and processing services under the 2022 Cable Assembly Processing Service Framework Agreement to manufacturing and supplying optical cable and electric cable components and related products under the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement, the proposed annual cap for the transactions contemplated under the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement are determined with reference to:

(I) Historical Procurement and Transaction Amounts

In determining the proposal annual caps for the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement, the Board has reviewed the historical transactions under the 2022 Cable Assembly Processing Service Framework Agreement and historical demand patterns of Chengdu Siwi High-Tech.

For optical cable components and related products, prior to entering the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement, Chengdu Siwi High-Tech provided the Company with its internal procurement

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figures for each of the financial years ended 31 December 2022 and 2023, pursuant to which it revealed that the procurement of optical cable components and related products amounted to approximately RMB100 million and RMB150 million for the financial years ended 31 December 2022 and 2023, respectively.

For electric cable components and related products, the Board has reviewed the historical transactions under the 2022 Cable Assembly Processing Service Framework Agreement, which revealed fluctuations in transaction volumes between the first and second halves of the financial year ended 31 December 2023. The Board also noted that the figures for the financial year ended 31 December 2022 and for the eight months ended 31 August 2024 do not represent the figures of a full year transaction volumes (as the 2022 Cable Assembly Processing Service Framework Agreement was only approved by the Independent Shareholders on 30 June 2022). As a result, after due consideration, the Board determined that the transaction amounts in the amount of approximately RMB77,049,000 under the 2022 Cable Assembly Processing Service Framework Agreement for the financial year ended 31 December 2023 is an appropriate benchmark for establishing the basis of considering the estimated demand of electric cable and related products.

(II) Estimated Projections of Demand of Optical Cable Components and Related Products

The estimated purchase amount of optical cable components and related products is projected at approximately RMB60 million for the financial year ending 31 December 2025. The manufacture and supply of optical cable components and related products to Chengdu Siwi High-Tech represents a new business arrangement between the Company and Chengdu Siwi High-Tech, with no historical transaction data available under the 2022 Cable Assembly Processing Service Framework Agreement.

In arriving the transaction amount of optical cable components and related products, the Board conducted an analysis of Chengdu Siwi High-Tech's historical procurement patterns. The Board obtained historical procurement figures from Chengdu Siwi High-Tech, revealing that their procurement of optical cable components and related products amount to approximately RMB100 million and RMB150 million for the financial years ended 31 December 2022 and 2023, respectively, with an average procurement amount of optical cable and related products of approximately RMB125 million. Rather than assuming the full capture of Chengdu Siwi High-Tech procurement needs, the Directors estimated that the Company would supply approximately half of the historical procurement amounts, taking into consideration of the fact that the average historical procurement amount of RMB125 million would imply a 50% share of approximately RMB63 million. The estimate of RMB60 million closely aligns with the implied 50% share of Chengdu Siwi High-Tech's average historical procurement amount for the two financial years ended 31 December 2023 (approximately RMB63 million).

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Further, the Board also considered the historical procurement amounts and patterns of electric cable components and related products in arriving the demand for optical cable components and related products. For the financial year ended 31 December 2023, based on the figures obtained from Chengdu Siwi High-Tech, Chengdu Siwi High-Tech's total procurement of electric cable components and related products from the Company amounted to approximately RMB77.0 million, representing approximately 39% of Chengdu Siwi High-Tech's aggregate procurement of the said products (i.e. approximately RMB200 million). In respect of optical cable components and related products, the Board has applied the aforementioned ratio (i.e. 39%) to Chengdu Siwi High-Tech's total procurement amount of RMB150 million for optical cable components and related products for the financial year ended 31 December 2023, resulting in a figure of approximately RMB58.5 million (being 39% of RMB150 million).

As a result, based on Chengdu Siwi High-Tech's average historical procurement amount of optical cable components and related products for the two financial years ended 31 December 2023 and the procurement percentage observed in electric cable components and related products under the 2022 Cable Assembly Processing Service Framework Agreement, the Board is of the view that the estimated purchase amount of optical cable components and related products of RMB60 million for the financial year ending 31 December 2025 (representing approximately half of Chengdu Siwi High-Tech's average historical procurement amount for the two financial years ended 31 December 2023) to be fair and reasonable.

(III) Change in Supply Arrangements

The change in supply arrangement between the Group and Chengdu Siwi High-Tech introduces significant changes, principally affecting the transaction amount of electric cable components and related products.

Under the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement, the estimated purchase amounts from Chengdu Siwi High-Tech for electric cable components and related products are estimated to be approximately RMB120 million for the year ending 31 December 2025, representing approximately 66.7% of the proposed annual caps for the corresponding year and an increase of approximately 56% compared to the historical transaction amounts of electric cables under the 2022 Cable Assembly Processing Service Framework Agreement for the financial year ended 31 December 2023. The principal factor underlying the projected increase is the Company's expanded role within the supply chain under the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement. The Board is of the view that the shift in the supply arrangement is expected to have a substantial impact on the income of the Company, as the Company's proportion of the final product value is expected to increase significantly.

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Under the 2022 Cable Assembly Processing Service Framework Agreement, the Company's income was predominantly comprised of service processing fees, which represented a relatively minor portion of the total cable component product value. In contrast, the new supply model pursuant to the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement is expected to enable the Company to recognise income inclusive of both material costs and processing service fees, thereby significantly increasing the Company's share of the final product value. As a result of this transition, it is expected to result in a material increase in the Company's recognised revenue per unit of product manufactured and supplied to Chengdu Siwi High-Tech.

In light of the above, the Board is of the view that the estimated increase in the transaction amount of electric cable components and related products is a balanced forecast, reflecting a reasonable potential for increased per-unit revenue.

In addition to the above factors, the Board has also considered other factors. These include the expected price of components and products to be sold by the Company to Chengdu Siwi High-Tech, and an estimated growth rate of approximately 10% to 20% for the two years ending 31 December 2027, with reference to the total procurement amounts of optical cables and electric cable components and related products by Chengdu Siwi High-Tech for the two years ended 31 December 2022 and 2023. The Board has also taken into account the potential growth in demand from Chengdu Siwi High-Tech due to an expanded scope of services. This expansion includes a more diversified product range, encompassing both high-low frequency cable components and optical cable components, as well as related products. Furthermore, the Company's business development plan focus on emerging customer needs and new product applications to develop corresponding component products.

The Board's projections are also influenced by the expectation of a gradual increase in orders received by the Company, based on further application expansion of optical and electric cable components in communication equipment and facilities, which is anticipated to drive demand from Chengdu Siwi High-Tech for products and services of optical cable components. In addition, the increasing adoption of data-intensive applications is expected to drive continue growth in data traffic, necessitating ongoing upgrades of optical and electric cables and expansion to meet increased bandwidth demand.

Taking into account the above factors, the Board is of the view that the proposed annual caps for the fees to be received by the Company from Chengdu Siwi High-Tech under the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement are fairly and reasonably determined. The Company considers that the cable component demand from Chengdu Siwi High-Tech will gradually grow in the coming years and presents a long-term demand for cable components.

LETTER FROM THE BOARD

F. Internal control measures

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 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. Prior to fulfilling purchase orders, the Finance Department will assess costs to ensure a minimum gross profit margin of 15% is achieved. If the gross profit margin falls below 15%, the Company may still supply components of optical cables and electric cables to Chengdu Siwi High-Tech based on factors including relevant contract values, the long-term business relationship with Chengdu Siwi High-Tech and future development benefits of the Company. Such supply decisions will be subject to corresponding approval process, with reference to the actual gross profit margin of the transaction;
2. Data on the Company's continuing connected transactions, including quarterly transaction amounts and cumulative amounts, shall be compiled and summarized by the Market Research and Development Department (市場研發部) on a quarterly basis, reconciled by the Finance Department, and reviewed by the Discipline Audit and Legal Risk Control Department, and a report on the execution of continuing connected transactions shall be prepared and report to the management of the Company. If the transaction amount reaches 60% of the annual cap at any point in time during the year, the Market Research and Development Department of the Company shall notify the Finance Department of each subsequent transaction to ensure that the annual cap will not be exceeded;
3. The external auditors of the Company will conduct an annual review on the terms, pricing policy and annual caps of the Continuing Connected Transactions;
4. The audit committee of the Board will review at least twice a year the analysis report and the improvement measures prepared by the management of the Company based on the implementation of the continuing connected transactions by the Company; and
5. The independent non-executive Directors will review the implementation and enforcement of stated pricing policy, the annual cap and the continuing connected transactions at least on an annual basis.

LETTER FROM THE BOARD

G. Reasons for and benefits of the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement

The Group has provided its cable assembly processing services to Chengdu Siwi High-Tech since 2022. Through the continued cooperation between Chengdu Siwi High-Tech and the Group, the Group is familiar with specification and standards of Chengdu Siwi High-Tech, and has confidence in the quality of the services supplied to Chengdu Siwi High-Tech. In addition, given the satisfactory co-operation between Chengdu Siwi High-Tech and the Company pursuant to the 2022 Cable Assembly Processing Service Framework Agreement, the continuation of the longstanding and established business relationship will further secure a stable source of income and facilitate the expansion of the Group's business in the cable component segment.

As stated in the annual report of the Group for the financial year ended 31 December 2023 published on 10 April 2024, the business revenue and gross profit for the cable component business increased by approximately 144% and 272%, respectively, which shows that the cable component business has yielded benefits for the Group.

The terms of the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement was agreed upon after arm's length negotiations between the Company and Chengdu Siwi High-Tech.

Taking into consideration of the above, the Directors (excluding all the independent non-executive Directors whose views shall be formed after taking into account of the advice of Gram Capital) are of the view that the terms of the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement and 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.

H. Information of 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 fibres 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, a controlling shareholder of the Company, is company incorporated 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).

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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.

I. Listing rules implications

As of the date of this circular, Chengdu Siwi High-Tech holds 34% equity interest in the Company, and is wholly-owned by the 29th Research Institute, an indirect controlling shareholder of the Company.

Chengdu Siwi Hi-Tech is a wholly-owned subsidiary of 29th Research Institute and a controlling shareholder of the Company. Accordingly, Chengdu Siwi High-Tech is regarded as a connected person of the Company. As such, the transactions contemplated under the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As the annual caps for the transactions contemplated under the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement is more than HK\$10,000,000 and at least one of the applicable percentage ratios related to the proposed annual caps are higher than 5%, the transactions contemplated under the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement will be subject to reporting, annual review, announcement and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Mr. Wu Xiaodong, an executive Director, is also a director and general manager of Chengdu Siwi High-Tech. Therefore, Mr. Wu Xiaodong is being regarded as having a material interest in the Continuing Connected Transactions and have abstained from voting on the board resolutions approving the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement, the proposed annual caps, and the transactions contemplated thereunder. Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Directors has any material interest in the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement and none of them is required to abstain from voting on the relevant resolutions of the Board.

An Independent Board Committee, comprising all the independent non-executive Directors, namely Ms. Fu Wenjie, Mr. Zhong Qishui, and Mr. Xue Shujin, has been formed to consider, and to advise the Independent Shareholders, amongst other things, whether the 2024 Optical Cable and Electric Cable Component Manufacturing 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.

LETTER FROM THE BOARD

Gram Capital has been appointed as the Independent Financial Advisers to make recommendations to the Independent Board Committee and the Independent Shareholders on the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement, the proposed annual caps and the transactions contemplated thereunder.

Chengdu Siwi High-Tech, the controlling shareholder of the Company, and its associates, including Chengdu Siwi Electronics, a shareholder of the Company holding 26% equity interest in the Company, are regarded as having a material interest in the Continuing Connected Transactions and will be required to abstain from voting at the EGM on the ordinary resolution to approve the Continuing Connected Transactions between the Company and Chengdu Siwi High-Tech under the 2024 Optical Cable and Electric Cable Component Manufacturing 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 EGM.

3. PROPOSED ELECTION OF THE BOARD OF DIRECTORS

Pursuant to the Articles of Association, the term of office of the Directors shall be appointed for three years. Upon maturity of the term of office, a Director shall be eligible to offer himself/herself for re-election and reappointment.

The terms of office of the Directors of the current tenth session of the Board, namely Ms. Li Tao, Mr. Wu Xiaodong, Mr. Hu Jiangbing, Mr. Jin Tao, Mr. Chen Wei, and Mr. Xu Jiabin, the executive Directors, and Ms. Fu Wenjie, Mr. Zhong Qishui and Mr. Xue Shujin, the independent non-executive Directors, will expire on 12 November 2024.

The proposed candidates of the eleventh session of the Board are nominated by Chengdu Siwi High-Tech, the Board, and the nomination committee of the tenth session of the Board. Ms. Li Tao (Chairman) and Mr. Wu Xiaodong, the current executive Directors, have been nominated as executive Directors candidates of the eleventh session of the Board. Mr. Chen Wei and Mr. Xu Jiabin, the current executive Directors, have been nominated as non-executive Directors candidates of the eleventh session of the Board, and Ms. Fu Wenjie, the current independent non-executive Director, has been nominated for re-election as independent non-executive Director candidate of the eleventh session of the Board. Mr. Xu Ningbo (non-executive Director candidate), Mr. Kang Yiguo (independent non-executive Director candidate), and Mr. Li Shaorong (independent non-executive Director candidate), are the newly-nominated candidates for election as members of the eleventh session of the Board. In addition, with reference to the Company's latest Articles of Association, members of the Board shall include an employee representative director, who should be democratically elected by the Company's employees at an employee representative meeting of the Company, whose election is not subject to the approval by the Shareholders. On 14 October 2024, Mr. Zeng Li (曾理) was elected as the employee representative Director (non-executive Director) of the Company's eleventh session of the Board at the Meeting of the Joint Committee of Employee Representatives (職工聯席團組長會議) of the Company. Pursuant to the service contract, no Director(s) of the Company, except for the independent non-executive Director(s), will receive

LETTER FROM THE BOARD

remuneration from the Company, while the director's fee for the independent non-executive Director(s) for services provided under the service contract(s) is RMB50,000 per annum (before tax).

Mr. Hu Jiangbing, Mr. Jin Tao, currently the executive Directors of the tenth session of the Board, and Mr. Zhong Qishui and Mr. Xue Shujin, currently the independent non-executive Directors of the tenth session of the Board (the “**Retiring Directors**”), will retire on the date of the EGM and do not seek for re-election. The Retiring Directors confirmed that they have no disagreement with the Board and there is no matter relating to their retirement which needs to be brought to the attention of the Shareholders.

The Board and the nomination committee of the Board consider that Ms. Fu Wenjie, Mr. Kang Yiguo and Mr. Li Shaorong satisfy the independence criteria for an independent non-executive Director as set out in Rule 3.13 of the Listing Rules.

As at the Latest Practicable Date, each of Ms. Fu Wenjie, Mr. Kang Yiguo and Mr. Li Shaorong had confirmed that (i) his/her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Hong Kong Listing Rules; (ii) that he/she had no past or present financial or other interest in the business of the Company or any of its subsidiaries or any connection with any core connected person (as defined under the Listing Rules) of the Company; and (iii) that there were no other factors that may affect his/her independence at the time of his/her appointment.

The term of office of the Directors for the eleventh session of the Board shall be three years from the date upon the approval for the appointment of the Directors of the eleventh session of the Board and ending upon the conclusion of the general meeting of the Company at which the twelfth session of the Board will be elected. At the EGM, the Company will propose separate resolutions to elect the shareholder representative Directors of the eleventh session of the Board and to authorise the Board to determine the remuneration of the Directors of the eleventh session of the Board and other matters related to entering into service contracts with them.

The biographical and other relevant information of the candidates for shareholder representative Directors of the eleventh session of the Board as at the Latest Practicable Date are set out in Appendix II to this circular. Save as disclosed in this circular, each of the candidates for the Directors of the eleventh session of the Board (i) does not have any interests in the Shares and underlying Shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong); (ii) is not connected with any Directors, supervisors, senior management of the Company or any substantial or controlling Shareholders; and (iii) has not held any directorship in other public companies, the securities of which are listed on any securities market in the PRC, Hong Kong or overseas, or other major appointments and professional qualifications in the last three years.

Save as disclosed in this circular, as at the Latest Practicable Date, the Board is not aware of any information relating to the aforesaid candidates that is required to be disclosed under Rule 13.51(2)(h) to (v) of the Listing Rules. There are no other matters relating to the appointments that are required to be brought to the attention of the Shareholders.

LETTER FROM THE BOARD

4. EGM

A notice convening the EGM to be held at 10 a.m. on Tuesday, 12 November 2024 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 EGM-1 to EGM-2 of this circular.

A form of proxy for use at the EGM 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 EGM, 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 EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending the EGM and voting in person if you so wish.

5. 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 EGM shall therefore demand voting on all resolution set out in the notice of EGM 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.

6. CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 8 November 2024 to 12 November 2024 (both days inclusive), during which period no transfer of Shares will be registered. In order to be qualified for attending and voting at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's H share registrar, Hong Kong Registrars Limited at Rooms 1712-16, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for the holders of H shares; or 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) for the holders of Domestic Shares for registration by 4:30 p.m. on 7 November 2024.

7. RECOMMENDATIONS

Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions, the respective proposed annual caps for the transactions contemplated under the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement. Gram Capital considers that the Continuing Connected Transactions have been entered into in the ordinary and usual course of business of the Group, are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and the proposed annual caps for the transactions under the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement are fair

LETTER FROM THE BOARD

and reasonable and in the interests of the Company and its Shareholders as a whole. Gram Capital advises the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the EGM to approve the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement, the proposed annual caps, and the transactions contemplated thereunder.

The Directors (including the members of the Independent Board Committee having considered the advice from the Independent Financial Adviser) consider that the 2024 Optical Cable and Electric Cable Component Manufacturing 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 interest 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 Independent Financial Adviser) recommend that the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM in relation to the approval of the Continuing Connected Transactions and the proposed annual caps.

The Board considers that the resolutions set out in the notice of the EGM is in the best interests of the Company and the Shareholders as a whole. The Directors therefore recommend the Shareholders to vote in favour of the resolutions proposed at the EGM.

The text of the letter from Independent Board Committee is set out on pages 20 to 21 of this circular. The text of the letter from Gram Capital containing its advice and the principal factors and reasons it has taken into in arriving at its advice is set out on pages 22 to 37 of this circular. Independent Shareholders are strongly recommended to read carefully these two letters for details of the advice.

By order of the Board
Chengdu SIWI Science and Technology 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.



CHENGDU SIWI SCIENCE AND TECHNOLOGY COMPANY LIMITED

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

(Stock Code: 1202)

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of Chengdu SIWI Science and Technology Company Limited dated 25 October 2024 (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 2024 Optical Cable and Electric Cable Component Manufacturing 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.

Gram Capital has been appointed as the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders on the 2024 Optical Cable and Electric Cable Component Manufacturing 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 4 to 19 of the Circular which contains, among others, information about the Continuing Connected Transactions and the proposed annual caps, the letter of advice from the Independent Financial Adviser set out on pages 22 to 37 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 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement and the proposed annual caps are fair and reasonable, in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the Company and the Shareholders as a whole so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Continuing Connected Transactions and the proposed annual caps.

Yours faithfully,
for and on behalf of the
Independent Board Committee

Ms. Fu Wenjie Mr. Zhong Qishui Mr. Xue Shujin
Independent Non-executive Directors

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transaction for the purpose of inclusion in this circular.



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

25 October 2024

*To: The independent board committee and the independent shareholders
of Chengdu SIWI Science and Technology Company Limited*

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTION — 2024 OPTICAL CABLE AND ELECTRIC CABLE COMPONENT MANUFACTURING FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement (the “**Transaction**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 25 October 2024 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 25 September 2024, the Company entered into the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement with Chengdu Siwi Hi-Tech, pursuant to which the Company agreed to manufacture and supply optical cable and electric cable components and related products to Chengdu Siwi Hi Tech from time to time, with a term of three years effective from 1 January 2025.

With reference to the Board Letter, the Transaction constitutes continuing connected transactions of the Company and is subject to the reporting and announcement, annual review and the Independent Shareholders’ approval requirement under the Listing Rules.

LETTER FROM GRAM CAPITAL

The Independent Board Committee comprising Ms. Fu Wenjie, Mr. Zhong Qishui and Mr. Xue Shujin (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Transaction are on normal commercial terms and are fair and reasonable; (ii) whether the Transaction is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Transaction at the EGM.

We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

We were not aware of any relationships or interests between Gram Capital and the Company during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as a hindrance to Gram Capital's independence to act as the Independent Financial Adviser.

Besides, apart from the advisory fee and expenses payable to us in connection with this engagement as the Independent Financial Adviser, there is no arrangement whereby we shall be entitled to receive any other fees or benefits from the Company.

Having considered the above and that none of the circumstances as set out under the Rule 13.84 of the Listing Rules existed as at the Latest Practicable Date, we are of the view that we are independent to act as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate in all material respects at the time when they were made and continue to be so as at the date of EGM. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreement/arrangement or implied understanding with anyone concerning the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

LETTER FROM GRAM CAPITAL

The 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 the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Chengdu Siwi High-Tech and each of their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transaction. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transaction, we have taken into consideration the following principal factors and reasons:

Information on the Group

With reference 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).

LETTER FROM GRAM CAPITAL

Set out below are the consolidated financial information of the Group for the two years ended 31 December 2023 as extracted from the Company's annual report for the year ended 31 December 2023 (“**2023 Annual Report**”) and for the six months ended 30 June 2024 (with comparative figures) as extracted from the Company's interim report for the six months ended 30 June 2024 (“**1H2024**”)

	For the six months ended 30 June 2024 RMB (unaudited)	For the six months ended 30 June 2023 RMB (unaudited)	For the year ended 31 December 2023 RMB (audited)	For the year ended 31 December 2022 RMB (audited)
Total operating revenue	143,945,328.65	156,171,066.88	403,641,154.18	304,013,607.91
<i>Copper cables, wires and related product</i>	65,594,318.80	46,063,864.53	196,065,417.27	100,398,439.47
<i>Optical communication products</i>	73,188,849.36	104,619,286.91	197,046,435.16	191,141,150.66
<i>Park Operation</i>	5,162,160.49	5,487,915.44	10,529,301.75	12,474,017.78
Net profit attributable to owners of parent company for the period/year	2,264,382.85	(2,453,057.48)	2,771,712.63	(2,224,261.22)

As illustrated in the above table, the Group's revenue increased from approximately RMB304.0 million for the year ended 31 December 2022 (“**FY2022**”) to approximately RMB403.6 million for the year ended 31 December 2023 (“**FY2023**”), representing a year-on-year increase of approximately 32.8%. According to the 2023 Annual Report, the increase in turnover was attributable to the increase in turnover of (a) cable components business of approximately 144%, the Group's turnover of which was approximately RMB77.6 million for FY2023; and (b) cable manufacturing business of approximately 126%, the Group's turnover of which was approximately RMB85.4 million for FY2023, respectively, and various costs control measures taken by the Company during FY2023. The Group recorded a total operating revenue of approximately RMB143.9 million for 1H2024, representing a decrease of approximately 7.8% as compared to that for the six months ended 30 June 2023 (“**1H2023**”), which was mainly due to the decrease in operating revenue from optical communication products offsetting by the increase in operating revenue from copper cables, wires and related products. Among the Group's total operating revenue for 1H2024, total operating revenue from the cable business amounted to approximately RMB18.5 million, representing an increase of approximately 24.1% as compared to that for 1H2023; total operating revenue from the optical cable component business amounted to approximately RMB31.5 million, representing an increase of approximately 108.0% as compared to that for 1H2023.

LETTER FROM GRAM CAPITAL

The Group recorded net profit attributable to owners of parent company of approximately RMB2.8 million for FY2023 while a net loss attributable to owners of parent company of approximately RMB2.2 million for FY2022. As advised by the Directors, (i) the net loss attributable to owners of parent company for FY2022 was significantly less than that for the year ended 31 December 2021 as a result of the increase in gross profit of principal business activities of the Group due to the establishment of cable assembly business and the increase in sales volume and average sales price of optical fiber products as a result of the improvement in market sentiment of the optical fiber market during 2022; and (ii) the turnaround of the Group's loss to profit attributable to the owners of the Company for FY2023 was principally attributable to the year-on-year increase in revenues of optical cable component business and cable manufacturing business of the Company as mentioned above, and various costs control measures taken by the Company during FY2023.

In addition, the Group recorded net profit attributable to owners of parent company of approximately RMB2.3 million for 1H2024 as compared to a net loss attributable to owners of parent company of approximately RMB2.5 million for 1H2023. As advised by the Directors, (i) the Group's net loss attributable to owners of parent company for 1H2023 was mainly due to (a) an increase in compensation costs resulting from negotiated termination of labour contracts for certain staff pending for duties; and (b) the fact that the Company is not yet eligible to benefit from the preferential tax policies of property tax and land use tax during 1H2023; and (ii) the turnaround of loss to profit attributable to the owners of the Company for 1H2024 was mainly attributable to the improvement of the sales of the Group's cable and cable component, total operating revenue from the cable business for 1H2024 increased by approximately 24.1% and from the optical cable component for 1H2024 increased by approximately 108.0% as compared to those for 1H2023 respectively, together with the adoption of effective cost control measures during 1H2024.

Information on Chengdu Siwi High-Tech

With reference to the Board Letter, Chengdu Siwi High-Tech is company incorporated 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).

As at the Latest Practicable Date, Chengdu Siwi High-Tech holds 34% equity interest in the Company.

Reasons for and benefit of the Transaction

With reference to the Board Letter, the Group has provided its cable assembly processing services to Chengdu Siwi High-Tech since 2022. Through the continued cooperation between Chengdu Siwi High-Tech and the Group, the Group is familiar with specification and standards of Chengdu Siwi High-Tech, and has confidence in the quality of the services supplied to Chengdu Siwi High-Tech. In addition, given the satisfactory co-operation between Chengdu Siwi High-Tech and the Company pursuant to the 2022 Cable Assembly Processing Service Framework Agreement, the continuation of the longstanding and established business relationship will further secure a stable source of income and facilitate the expansion of the

LETTER FROM GRAM CAPITAL

Group's business in the cable component segment. The 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement expands the role of the Group from cable assembly processing to full-scale manufacturing, enabling the Group to have greater control over the entire production process and strengthen the market position of the Group.

As advised by the Directors, the Transaction is conducted in ordinary and usual course of business of the Group and revenue in nature. Revenue generated from the Transaction will be recorded in copper cables, wires and related product segment. As mentioned above, revenue generated from copper cables, wires and related product segment accounted for approximately 33%, 49% and 46% of the Group's revenue for FY2022, FY2023 and 1H2024 respectively.

Furthermore, as the Transaction will be conducted in the ordinary and usual course of business of the Group and may be on a frequent basis, it would be costly and impractical to make regular disclosure of each of the relevant transactions and obtain the prior approval from the Independent Shareholders as required by the Listing Rules, if necessary.

In light of the above reasons, in particular, the Transaction is revenue in nature, we are of the view that the Transaction is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

Principal terms of the Transaction

Set out below are the key terms of the Transaction, details of which are set out under the section headed "B. Summary of Terms of the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement" of the Board Letter.

Date:	25 September 2024
Parties:	(1) The Company (as manufacturer and supplier); and (2) Chengdu Siwi High-Tech (as purchaser).
Nature of the transaction:	Subject to the terms and conditions of each relevant purchase order, the Company shall manufacture and supply optical cable and electric cable components and related products to Chengdu Siwi High-Tech from time to time during the effective term of the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement.
Term:	The 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement will be effective from 1 January 2025 to 31 December 2027 (both dates inclusive).

LETTER FROM GRAM CAPITAL

Pricing policy

The price of the cable components shall be determined on a “cost-plus” basis by reference to the Company’s cost of sale, including, the costs of raw materials and other direct costs that make the cable components up to the sellable status, and a predetermined profit margin. The Company considers that the gross profit margin of the transactions contemplated under the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement should be no less than 15%, with reference to the historical transactions between the Company and Chengdu Siwi High-Tech under the 2022 Cable Assembly Processing Service Framework Agreement, the expected market competition during the term of the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement and the market practice by other industry players. Under certain circumstances, the gross profit margin may fall below 15%. In these circumstances, other than the gross profits recognized from the relevant contracts or purchase orders, the Company will take into account whether the contract for services may help the Company to explore more future business opportunities with Chengdu Siwi High-Tech.

To assess the fairness and reasonableness of the pricing policy of the Transaction, we searched over the Stock Exchange’s, Shenzhen Stock Exchange’s and Shanghai Stock Exchange’s website to identify companies with similar business segment (i.e. production and selling of cables in the PRC). We set the following criteria: (i) the company is listed on the Stock Exchange, Shenzhen Stock Exchange or Shanghai Stock Exchange; and (ii) revenue generating from the production and selling of cables and related products in the PRC accounted for over 50% to total revenue for the latest financial years with gross profit/cost/gross profit margin of such segments have been explicitly disclosed in latest annual report. To the best of our knowledge, we identified following companies which met the aforesaid criteria and are exhaustive (the “**Comparables**”). Details of our findings are set out as follows:

Company	Principal business	Gross profit margin of relevant segment of the listed issuer
Trigiant Group Limited (1300.HK)	Principally engaged in feeder cable series, optical fibre cable series and related products, flame-retardant flexible cable series, new-type electronic components and others (including couplers and combiners).	10.90%
Zhejiang Zhaolong Interconnect Technology Co., Limited (300913.SZ)	Principally engaged in the design, manufacture, and sale of data cables, special cables, and connecting products.	15.20%

LETTER FROM GRAM CAPITAL

Company	Principal business	Gross profit margin of relevant segment of the listed issuer
Shenyu Communication Technology Inc. (300563.SZ)	Principally engaged in the research, production, and sales of high-frequency radio-frequency coaxial cables.	22.56%
Tongding Interconnection Information Co., Ltd. (002491.SZ)	Principally engaged in the optoelectronic communication sector and the network security sector.	21.60%
Sichuan Huiyuan Optical Communications Co., Ltd. (000586.SZ)	Principally engaged in power optical cables, online monitoring, air-blown micro cables, plastic optical fibers with related accessories, as well as materials and construction for highway electromechanical engineering.	29.39%
Jiangsu Tongguang Electronic Wire and Cable Co., Ltd. (300265.SZ)	Principally engaged in optical fiber cables, power transmission cables, and equipment cables.	17.77%
Jiusheng Electric Co., Ltd. (301082.SZ)	Principally engaged in the research, production, sales, and services of fire-resistant special cables and power cables.	13.89%
Henan Tong-da Cable Co., Ltd. (002560.SZ)	Principally engaged in wire and cable production and sales, precision machining and assembly of aircraft components, and aluminum-based composite new materials.	14.54%
Far East Smarter Energy Co., Ltd. (600869.SH)	Principally engaged in clean energy, intelligent marine engineering, smart grids, smart manufacturing, intelligent transportation, and green building sectors.	12.38%

LETTER FROM GRAM CAPITAL

Company	Principal business	Gross profit margin of relevant segment of the listed issuer
Hangzhou Cable Co., Ltd. (603618.SH)	Principally engaged in the research, production, sales, and services of wires and cables, as well as the research, production, sales, and services of products such as optical fiber preforms, optical fibers, optical cables, and optical communication-related equipment within the optical communication industry chain.	14.88%
Jiangsu Zhongchao Holding Corporation (002471.SZ)	Principally engaged in the research, production, sales, and service of wires and cables.	10.51%
Yuan Cheng Cable Co., Ltd. (002692.SZ)	Principally engaged in the research, production, and operation of wire and cable products.	10.89%
Sinostar Cable Co., Ltd. (300933.SZ)	Principally engaged in the research, production, and sales of wires, cables, and cable accessories.	14.52%
Jinlongyu Group Co., Ltd. (002882.SZ)	Principally engaged in the research, production, sales, and service of wires and cables.	13.18%
Sunway Co., Ltd. (603333.SH)	Principally engaged in the research, production, sales, and service of high-end special cable products.	17.71%
Maximum		29.39%
Minimum		10.51%
Average		15.99%
Median		14.54%
The Transaction		Not less than 15%

Source: Latest annual reports of the Comparables

LETTER FROM GRAM CAPITAL

Based on the above table, we noted that the gross profit margin of the Comparables ranged from 10.51% to 29.39%, with average and median of approximately 15.99% and 14.54% respectively. The minimum gross profit margin of the Transaction fell within the range of gross profit margin of the Comparables and was close to the average and median of the range of gross profit margin of the Comparables. In addition, as the cable products are customized products, the Directors advised us that they will consider the different specifications and technicality involved when determining the gross profit margin for the individual transaction pursuant to the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement. As the products of the Comparables covered a variety of industries for different types of usage, we consider the gross profit margin range of the Transaction to be fair and reasonable.

Internal control

With reference to the Board Letter, for the Transaction, the Company has adopted the certain internal procedures to safeguard the interest of the Shareholders as a whole. Details of which are set out under the section headed “F. Internal Control Measures” of the Board Letter. We noted from the internal control procedures that (i) Discipline Audit and Legal Risk Control Department* (紀檢審計與法務風控部) of the Company will conduct regular checks to review and assess the Transaction in various aspects; (ii) the Finance Department will conduct assessment on gross profit prior to fulfilling purchase orders; and (iii) further action will be taken to assess the individual transaction should such transaction is not charged at cost-plus basis of not less than 15%, we consider that the effective implementation of such internal control measures would help to ensure fair pricing of the Transaction according to its pricing policies.

For our due diligence purpose, we obtained a list from the Company, showing all individual agreements (the “**Individual Agreements**”) entered into by the Company pursuant to the 2022 Cable Assembly Processing Service Framework Agreement from the agreement date (being 29 April 2022) to 30 June 2024. The Company provided us all Individual Agreements with cost of such transactions contemplated. After reviewing the aforesaid documents and information, we noted that the gross profit margin of the transactions contemplated under the Individual Agreements are no less favourable than the expected gross profit margin of the 2022 Cable Assembly Processing Service Framework Agreement.

In addition, we also discussed with the Discipline Audit and Legal Risk Control Department* (紀檢審計與法務風控部), the Finance Department, and the Market Research and Development Department* (市場研發部), being the departments involved in the internal control measures. We noted that such staff were aware of the internal control measures and would comply with the internal control measures when conducting the transactions contemplated under the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement. Having considered the aforesaid discussion and our findings on gross profit margin of the transactions contemplated under the Individual Agreements as mentioned above, we do not doubt the effectiveness of the implementation of the internal control measures.

LETTER FROM GRAM CAPITAL

Furthermore, we noted from the internal control procedures that data on the Company's continuing connected transactions (including quarterly transaction amounts and cumulative amounts) shall be compiled and summarized by the Market Research and Development Department* (市場研發部) on a quarterly basis, reconciled by Finance Department, and reviewed by the Discipline Audit and Legal Risk Control Department, and a report on the execution of continuing connected transactions shall be prepared and reported to the management of the Company. Further actions will be taken if the actual transaction amounts reach certain threshold of the annual caps. We consider there is sufficient measure to monitor the utilisation of the annual caps.

The proposed annual caps

Set out below are (i) historical transaction amounts of the transactions contemplated under the 2022 Cable Assembly Processing Service Framework Agreement for the two years ended 31 December 2023 and eight months ended 31 August 2024, with the existing annual caps for the three years ending 31 December 2024; and (ii) the proposed annual caps of the Transaction for the three years ending 31 December 2027:

	For the year ended 31 December 2022 RMB'000	For the year ended 31 December 2023 RMB'000	For the year ending 31 December 2024 RMB'000
Historical transaction amounts	31,746	77,049	31,385 (<i>Note</i>)
Existing annual caps	110,000	240,000	280,000
	For the year ending 31 December 2025 RMB'000	For the year ending 31 December 2026 RMB'000	For the year ending 31 December 2027 RMB'000
Proposed annual caps	180,000	200,000	240,000

Note: The figure was for the eight months ended 31 August 2024.

With reference to the Board Letter, the proposed annual caps were determined based on various factors, details of which were set out under the section headed "E. The proposed annual caps" of the Board Letter.

Upon our request, we obtained a calculation sheet for the proposed annual caps. According to the calculation sheet, the proposed annual caps represented the estimated demand of services/products under the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement, being the summation of estimated demand of (i) electric cable components and related products; and (ii) optical cable components and related products, for the three years ending 31 December 2027.

LETTER FROM GRAM CAPITAL

FY2025

Electric cable components and related products

The Directors assumed the estimated demand of electric cable components and related products to be RMB120 million for FY2025. We understood that such estimated amounts were made with reference to, among other things, historical transaction amounts and procurement volume for FY2023 under the 2022 Cable Assembly Processing Service Framework Agreement. Having considered that (i) the Company will supply electric cable components and related products (i.e. high-low frequency cable assembling and processing service) to Chengdu Siwi High-Tech pursuant to the 2022 Cable Assembly Processing Service Framework Agreement (note: for the avoidance of doubt, optical cable components and related products were not included in the 2022 Cable Assembly Processing Service Framework Agreement); (ii) the historical transaction amounts for first half year and second half year fluctuated according to historical transaction amounts for FY2023 and therefore the historical transaction amounts for FY2022 (which was not a full year transaction amounts as the 2022 Cable Assembly Processing Service Framework Agreement was approved by independent Shareholders on 30 June 2022) and for eight months ended 31 August 2024 (which was an eight-month transaction amounts and not a full year transaction amounts) were not considered for reference, we are of the view that historical transaction amounts for FY2023 was appropriate for reference.

Based on the calculation sheet, we noted that the estimated demand of electric cable components and related products for FY2025 represented an increase of approximately 56% to the historical transaction amounts for FY2023 under the 2022 Cable Assembly Processing Service Framework Agreement. To assess the fairness and reasonableness of the aforesaid substantial increase, we discussed with the Directors and understood that such increase was mainly due to the possible change of business model of the electric cable components and related products supply arrangement, affecting the transaction amount of electric cable components and related products to be paid by Chengdu Siwi High-Tech. Under the 2022 Cable Assembly Processing Service Framework Agreement, the Company's income was predominantly comprised of service processing fees (as the material was prepared and provided by Chengdu Siwi High-Tech), which represented a relatively small portion of the total cable component product value. In contrast, the new supply model (as the material will be prepared and provided by the Group) pursuant to the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement is expected to enable the Company to recognise income inclusive of both material costs and processing service fees, thereby significantly increasing the Company's share of the final product value.

As advised by the Directors, cost (“**Part A Amount**”) plus profit margin (“**Part B Amount**”) approach was adopted pursuant to the 2022 Cable Assembly Processing Service Framework Agreement.

Based on the above, the Group charged Part B Amount (i.e. the amount of no less than 15% gross profit margin) as services fees for most individual transactions pursuant to the 2022 Cable Assembly Processing Service Framework Agreement as material of products under the aforesaid individual transactions were prepared and provided by Chengdu Siwi High-Tech.

LETTER FROM GRAM CAPITAL

However, the Company anticipated to prepare material of electric cable components and related products by the Group instead of by Chengdu Siwi High-Tech gradually. Under the new supply arrangement, the amounts of material cost will be recorded as income amounts under the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement. The amounts of electric cable components and related products will increase substantially under new supply arrangement (i.e. Part A Amount and Part B Amount) as compared to existing supply arrangement (Part B Amount).

For illustration purpose, assuming the gross profit margin is 15% for both existing business model and new business model of the electric cable components and related products supply arrangement under the cost plus profit margin approach, the Group will record 0.18 times of cost amounts as income from such transaction if material of products were prepared and provided by Chengdu Siwi High-Tech; but 1.18 times of cost amounts as income from such transaction if material of products were prepared by the Group.

Based on the above, in particular, the anticipated increase in income from individual transaction due to the possible change of business model of the electric cable components and related products supply arrangement (i.e. from Part B Amount (i.e. 0.18 times of cost amounts) to the summation of Part A Amount and Part B Amount (i.e. 1.18 times of cost amounts), we consider the estimated increase of 56% as mentioned above is justifiable.

For our due diligence purpose, we (i) obtained historical transaction amounts for the two years ended 31 December 2023 and eight months ended 31 August 2024; (ii) reviewed Individual Agreements list and contract amounts of the Individual Agreements; (iii) acknowledged the fluctuation in historical transaction amounts for first half year and second half year in 2023 (being a full year transaction amounts pursuant to the 2022 Cable Assembly Processing Service Framework Agreement); (iv) calculated and acknowledged the anticipated increase in income from individual transaction due to the possible change of business model as mentioned above; and (v) reviewed the 2022 Cable Assembly Processing Service Framework Agreement and noted that optical and related products were not included in 2022 Cable Assembly Processing Service Framework Agreement. We consider that the aforesaid information/documents provided by the Group to us are sufficient for us to analyse the estimated amounts of electric cable components and related products for FY2025.

Accordingly, we are of the view that the estimated amounts of electric cable components and related products for FY2025 are fair and reasonable.

LETTER FROM GRAM CAPITAL

Optical and related products

The Directors assumed the estimated demand of optical cable components and related products to be RMB60 million for FY2025. There is no historical amount incurred between both parties prior to the date of the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement as the supply of optical cable components and related products by the Group is a new arrangement between the Group and Chengdu Siwi High-Tech. We discussed with the Directors and noted that such estimation was made with reference to Chengdu Siwi High-Tech's historical procurement amounts of optical cable components and related products for the two years ended 31 December 2023. Upon our request, we obtained the aforesaid figures from the Company (which was prepared by Chengdu Siwi High-Tech). According to the figures, Chengdu Siwi High-Tech has incurred the amount ranged from approximately RMB100 million to RMB150 million in the procurement of optical cable components and related products for the two years ended 31 December 2023 based on their internal procurement figures, with average of approximately RMB125 million. As stated in the Board Letter, rather than assuming the full capture of Chengdu Siwi High-Tech procurement needs, the Directors estimated that the Company would supply approximately half of the historical procurement amounts, taking into consideration of the fact that the average historical procurement amount of RMB125 million would imply a 50% share of approximately RMB63 million.

Furthermore, the historical amounts of electric cable components and related products for FY2023 (i.e. RMB77.0 million) represented approximately 39% to Chengdu Siwi High-Tech's procurement amounts of electric cable components and related products for FY2023. Therefore, we consider the Directors' adoption of 50% of historical amounts for a prudent sake consideration to be fair and reasonable.

As the estimated demands of optical and related products for FY2025 was close to (i) the aforesaid implied amounts of RMB63 million (with difference of 5%); and (ii) the implied procurement amounts of optical cable components and product procured by Chengdu Siwi High-Tech for FY2023 (i.e. RMB58.5 million, with difference of 5%) after taking into account the percentage rate of 39% as mentioned above, we are of the view that the estimated demands of optical and related products for FY2025 are fair and reasonable.

Conclusion on the estimated demands for FY2025

Based on our above analyses, including (i) the estimated amounts of electric cable components and related products for FY2025 being fair and reasonable; and (ii) the estimated demands of optical and related products for FY2025 being fair and reasonable, we are of the view that the estimated demand of services/products under the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement, being the summation of aforesaid (i) and (ii), are fair and reasonable. Accordingly, we are of the view that the proposed annual cap for FY2025 is fair and reasonable.

LETTER FROM GRAM CAPITAL

FY2026 and FY2027

We also noted that the proposed annual caps for FY2026 and FY2027 represented increases of approximately 11% and 20% as compared to those for FY2025 and FY2026 respectively.

For our due diligence purpose, we requested the Company to provide us the historical procurement amounts of optical cable components and related products and electric cable components and related products for FY2022 and FY2023. After calculating the implied growth of the procurement of such products by Chengdu Siwi High-Tech according to the information provided by the Company (which was prepared by Chengdu Siwi High-Tech), we noted that Chengdu Siwi High-Tech recorded an increase of approximately 17% in the procurement of (i) optical cable components and related products; and (ii) electric cable components and related products in total from FY2022 to FY2023 based on their internal procurement figures. As the abovementioned increase rates (i.e. 11% and 20%) was not deviated from the historical increase rate from FY2022 to FY2023 based on internal procurement figures (i.e. 17%), we consider the abovementioned increase rates to be justifiable.

Having considered that (i) the proposed annual cap for FY2025 being fair and reasonable as analysed above; and (ii) the increase rates (i.e. 11% and 20%) being justifiable, we are of the view that the proposed annual caps for FY2026 and FY2027 to be fair and reasonable.

Shareholders should note that as the proposed annual caps are relating to future events and was estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2027, and they do not represent forecasts of cost to be incurred from the Transaction. Consequently, we express no opinion as to how closely the actual amount to be incurred from the Transaction will correspond with the proposed annual caps.

In light of the above, we consider that the terms of the Transaction (including proposed annual caps) are on normal commercial terms and are fair and reasonable.

Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the Transaction must be restricted by the relevant annual caps for the period concerned under the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement; (ii) the terms of the Transaction must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Transaction must be included in the Company's subsequent published annual reports.

LETTER FROM GRAM CAPITAL

Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Transaction (i) have not been approved by the listed issuer's board of directors; (ii) were not, in all material respects, in accordance with the pricing policies of the listed issuer's group if the transactions involve the provision of goods or services by the listed issuer's group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the caps.

In the event that the maximum amounts of the Transaction are anticipated to exceed their respective annual caps, or that there is any proposed material amendment to the terms of the Transaction, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

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

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of Transaction are on normal commercial terms and are fair and reasonable; and (ii) the Transaction is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Transaction and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

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

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 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 for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange.

3. 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 CONTRACTS AND 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, any member of the Group or were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2023 (being the date to which the latest published audited accounts of the Group were made up), and none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

5. COMPETING INTERESTS

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).

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there was no material adverse change in the financial or trading position of the Group since 31 December 2023, being the date to which the latest published audited financial statements of the Company were made up.

7. EXPERT AND CONSENT

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

Name	Qualification
Gram Capital Limited	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, the Independent Financial Adviser did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for securities in any member of the Group nor did they have any direct or indirect interests in any assets which had been, since 31 December 2023 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, 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.

8. 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 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.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange at (<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) 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement;
- (b) the letter from the Independent Board Committee dated 25 October 2024, the text of which is set out on pages 20 to 21 of this circular;
- (c) the letter from the Independent Financial Adviser dated 25 October 2024, the text of which is set out on pages 22 to 37 of this circular;
- (d) the written consent of the Independent Financial Adviser referred to in the paragraph headed "EXPERT AND CONSENT" in this Appendix I.

Biographical details of the candidates to be re-elected or appointed as directors of the eleventh session of the Board are set out as follows:

Executive Directors

Li Tao

Ms. Li Tao, aged 53, graduated from Southwestern University of Finance and Economics (西南財經大學) with a bachelor's degree in management majoring in accounting. She is a senior accountant, and currently serves as an executive Director and Chairman of the tenth session of the Board of the Company. Ms. Li is also the deputy chief accountant of the 29th Research Institute. Ms. Li has successively held various positions, including the deputy director and director of the finance department of the 29th Research Institute. Ms. Li joined the Company in November 2021 and has accumulated extensive experience in financial management.

Wu Xiaodong

Mr. Wu Xiaodong, aged 55, graduated from Xidian University (西安電子科技大學) with a bachelor's degree in engineering majoring in industrial management and engineering. He is senior engineer, and currently serves as an executive Director of the tenth session of the Board, general manager of the Company and the general manager of Chengdu Siwi High-tech Industrial Co., Ltd. (成都四威高科技產業園有限公司). Mr. Wu has successively held various positions, including the deputy director and the director in departments related to operation and comprehensive management of the 29th Research Institute and the relevant party branch secretary. Mr. Wu joined the Company in November 2021 and has accumulated extensive experience in planning and management and supply chain management.

Non-executive Directors

Chen Wei

Mr. Chen Wei, aged 37, graduated from Huazhong University of Science and Technology (華中科技大學) with a bachelor's degree in mechanical design manufacturing and automation and a master's degree in mechanical electronic engineering. He is a senior engineer, and currently serves as an executive Director of the tenth session of the Board. Mr. Chen also holds office as the director of the material department and the secretary of the Party Branch of the relevant departments of the 29th Research Institute. Mr. Chen has successively held various positions, including the R&D engineer and the deputy director of departments such as the comprehensive management department in the 29th Research Institute. Mr. Chen joined the Company in September 2022 and has extensive experience in mechanical and electronic automation.

Xu Jiaxin

Mr. Xu Jiaxin, aged 39, is a professorate senior engineer with the master of science degree in Optics from Jilin University (吉林大學), and is currently the professional technical leader (presiding over the work) of the 29th Research Institute. Mr. Xu has successively served different positions including assistant engineer, engineer and senior engineer of the 29th Research Institute. Mr. Xu has extensive experience in the fields of optical information processing and application.

Xu Ningbo

Mr. Xu Ningbo, aged 46, has a postgraduate degree and obtained a master's degree in mechanical engineering from the School of Manufacturing Science and Engineering (製造科學與工程學院) of the Sichuan University. He is currently the deputy general manager of Chengdu Siwi High-Tech Industrial Co., Ltd. (成都四威高科技產業園有限公司). Mr. Xu worked at the 29th Research Institute and successively held various positions, including department head and business unit manager of Chengdu Siwi High-Tech Industrial Co., Ltd. (成都四威高科技產業園有限公司). Mr. Xu has over twenty years of extensive experience in the field of mechanical and intelligent manufacturing.

Independent Non-Executive Directors*Fu Wenjie*

Ms. Fu Wenjie, aged 56, obtained a master's qualification in business administration from Sichuan Institute of Business Administration (四川省工商管理學院), is a qualified asset valuer, a member of the Jiusan Society (九三學社), a technical consultant of the Expert Pool of Sichuan Asset Appraisal Industry (四川省資產評估行業專家庫), and an expert in the Expert Pool of Sichuan Government and Social Capital Cooperation (PPP) (四川省政府與社會資本合作(PPP)專家庫). Currently, she is an independent non-executive Director of the tenth session of the Board of the Company. Ms. Fu once worked at Sichuan TianJianHuaHeng Assets Appraisal Co., Ltd., serving as the deputy general manager. She has formerly served as the vice chairman of the fourth session of the appeal committee of the Sichuan Asset Appraisal Association (四川省資產評估協會). Since her career began, Ms. Fu has participated in writing or drafting numerous works and standards; and participated in the practice quality assurance team of the asset appraisal industry organized by the Ministry of Finance and the China Asset Appraisal Association (中國資產評估協會) for many times; and took part, as an asset appraisal expert, in the relevant inspection and approval work undertaken by the securities regulatory department, the audit department, state-owned asset department and enterprises owned by the central government in Sichuan province for many times; and organized and undertook the listing projects, asset restructuring, share placement, mergers and acquisitions and other projects of a number of companies as well as hundreds of large and medium-sized asset appraisal projects and consulting projects; and participated in expert reviews of dozens of PPP projects. Ms. Fu joined the Company in August 2021 and has nearly thirty years of extensive experience in asset appraisal and corporate restructuring and mergers.

Kang Yiguo

Mr. Kang Yiguo, aged 62, graduated from the Department of Electronic Engineering of University of Electronic Science and Technology of China (電子科技大學) with a major in radio remote control and telemetry, and is a professorate senior engineer. Mr. Kang has successively held various positions, including the deputy chief engineer and deputy division chief of the technology department and deputy director of the 29th Research Institute. Mr. Kang has extensive experience in radio remote technology, scientific research and market management.

Li Shaorong

Mr. Li Shaorong, aged 60, graduated from Chengdu Radio Engineering College (成都電訊工程學院), currently known as University of Electronic Science and Technology of China, majoring in laser technology. Being a professor-grade senior engineer, Mr. Li has been teaching at the University of Electronic Science and Technology of China for a long time and has extensive experience in areas such as photoelectric technology, sensors and microelectronics.

NOTICE OF 2024 SECOND EXTRAORDINARY GENERAL MEETING



CHENGDU SIWI SCIENCE AND TECHNOLOGY COMPANY LIMITED

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

(Stock Code: 1202)

NOTICE OF 2024 SECOND EXTRAORDINARY GENERAL MEETING

The 2024 second extraordinary general meeting (the “**EGM**”) of Chengdu SIWI Science and Technology Company Limited (the “**Company**”) 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 a.m. on Tuesday, 12 November 2024 for the following purposes:

ORDINARY RESOLUTIONS

1. To consider and approve 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement, the proposed annual caps and the transactions contemplated thereunder.
2. To consider and approve the following candidates as directors of the eleventh session of the board (“**Board**”) of directors (“**Directors**”) of the Company with effect from the conclusion of the EGM:
 - (a) re-election of Ms. Li Tao as an executive Director;
 - (b) re-election of Mr. Wu Xiaodong as an executive Director;
 - (c) re-election of Mr. Chen Wei as a non-executive Director;
 - (d) re-election of Mr. Xu Jiaxin as a non-executive Director;
 - (e) appointment of Mr. Xu Ningbo as a non-executive Director;
 - (f) re-election of Ms. Fu Wenjie as an independent non-executive Director;
 - (g) appointment of Mr. Kang Yiguo as an independent non-executive Director;
 - (h) appointment of Mr. Li Shaorong as an independent non-executive Director.

NOTICE OF 2024 SECOND EXTRAORDINARY GENERAL MEETING

3. To authorize the Board to fix the remunerations of the members of the eleventh session of the Board and to enter into the relevant service contract with each of the Directors.

By order of the Board
Chengdu SIWI Science and Technology Company Limited
Li Tao
Chairman

Chengdu, the PRC, 25 October 2024

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 8 November 2024 to 12 November 2024 (both days inclusive), during which no transfer of H Shares will be registered. In order to qualify for attending and voting at the EGM, 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 Rooms 1712-16, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong) before the close of business hours (4:30 p.m.) on 7 November 2024.
2. Shareholders of the Company whose names appear on the register of members at the business hours on 8 November 2024 are entitled to attend and vote at the EGM (or any adjourned meetings thereof).
3. Each shareholder of the Company who has the right to attend and vote at the EGM 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 EGM, 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 EGM 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 EGM, 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 EGM, 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 EGM or not less than 24 hours before the time appointed for taking poll.
6. The EGM 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 expense.