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成都普天電纜股份有限公司

CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

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

(Stock Code: 1202)

**CONTINUING CONNECTED TRANSACTION
IN RELATION TO
PROPERTY LEASE AGREEMENT**

On 29 April 2022, the Company entered into the Property Lease Agreement with Chengdu Seekon Microwave in relation to the lease of the Property by the Company to Chengdu Seekon Microwave with effective term from 1 June 2022 to 31 December 2024.

LISTING RULES IMPLICATION

Chengdu Seekon Microwave is a wholly-owned subsidiary of 29th Research Institute, which is the indirect controlling shareholder of the Company. Therefore Chengdu Seekon Microwave is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. As such, the transactions contemplated under the Property Lease Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) for the transactions contemplated under the Property Lease Agreement exceeds 0.1% and is less than 5%, the transactions contemplated under the Property Lease Agreement are subject to the reporting, annual review and announcement requirements but are exempt from the independent shareholders' approval requirement under the Listing Rules.

BACKGROUND

On 29 April 2022, the Company entered into the Property Lease Agreement, in relation to the lease of the Property.

PROPERTY LEASE AGREEMENT

Details of the Property Lease Agreement are as follows:

Date:	29 April 2022 (after trading hours)
Parties:	The Company (as the lessor); and Chengdu Seekon Microwave (as the lessee)
Nature of the transaction:	The Company agrees to lease the Property to Chengdu Seekon Microwave
Term:	The effective term of the Property Lease Agreement will commence from 1 June 2022 to 31 December 2024 (both days inclusive)
Termination and Renewal:	The Property Lease Agreement will terminate upon the expiration of the Term.

Chengdu Seekon Microwave may terminate the Property Lease Agreement anytime with a two-month prior written notice, with a compensation in the sum of being no more than 3 months of the monthly rent of the relevant period.

Chengdu Seekon Microwave may request to renew the Property Lease Agreement by providing the Company with a two-month prior written notice before the expiration of the Term, subject to the execution of a new property lease agreement by the parties and the compliance with the Listing Rules.

Rent:	RMB174,652.34 per month, inclusive of tax (subject to an annual increment of 3%)
Management Fee:	RMB10,190.73 per month, inclusive of tax (subject to an annual increment of 3%)
Deposit:	RMB480,000, payable upon signing of the Property Lease Agreement
Payment terms:	The rent and management fee are accrued and payable on a quarterly basis. The payment of the Deposit and the rent for the first quarter shall be payable by Chengdu Seekon Microwave upon signing the Property Lease Agreement; the utility expenses are payable on a monthly basis, based on actual usage with reference to the fee schedule in the utilities supply agreement
Area:	6,409.26 square meters
The Property:	No. 109 Factory Building, No. 18, Xinhang Road, High-tech Zone (West District), Chengdu, PRC
Use of the Property:	Manufacturing

Fitting out works: The Company expects to incur capital expenses of approximately RMB 2.76 million (inclusive of tax) on the improvement of the Property, which Chengdu Seekon Microwave will fully repay to the Company, with RMB1.56 million to be paid by the end of 2022, RMB 0.6 million to be paid by the end of 2023 and the remainder by the end of 2024.

Other terms: During the Term, Chengdu Seekon Microwave will be responsible for the payment of utilities expenses incurred such as water, electricity, production waste treatment etc. to the Company, charged on the basis of actual usage with reference to the agreed utilities fee schedule

Pricing Basis

The rent, management fee and utilities expenses charged by the Company to Chengdu Seekon Microwave will be based on normal commercial terms, fair and reasonable and determined by a pricing mechanism having reference to (i) the prevailing market rent, management fee of comparable properties in the vicinity and shall not be lower than the prevailing market rent and management fee of comparable properties in the vicinity charged by the Company to Independent Third Parties; and (ii) the fee schedule as agreed in the utilities supply agreement, charged based on the actual cost (i.e. government set cost) of the utilities expenses plus a fair and reasonable margin by the Company, as regularly monitored by the internal control measures adopted by the Group.

Annual Cap and Basis of Determination

For the period from 1 June 2022 up to 31 December 2022	For the year ending 31 December	
	2023	2024
	<i>(RMB in thousands)</i>	
3,800	5,550	6,550

The proposed annual cap for the transactions contemplated under the Property Lease Agreement are determined with reference to the following factors:

- (i) the agreed monthly rent and the management fee, both exclusive of value added tax and subject to an annual increment of 3%, arrived at on normal commercial terms after arm's length negotiation with reference to the prevailing market rent and management fee of similar properties in the vicinity;
- (ii) the prevailing average cost of utilities in the area and the expected utilities expenses based on the estimated usage of Chengdu Seekon Microwave, with reference to their past utilities expenses at similar manufacturing plants;
- (iii) the capital expenses expected to incur by the Company for the fitting out works; and

(iv) the expected average market rent, management fees and the cost of utilities during the Term will remain stable.

INTERNAL CONTROL MEASURES

The transactions contemplated under the Property Lease Agreement will be subject to the following internal control procedure in order to ensure that the prices and terms offered are no more favourable than those offered by the Group to independent third parties:

1. The Company will monitor the continuing connected transactions in accordance with the procedures set out in the Company's internal control manual on continuing connected transactions. The Discipline Audit and Legal Risk Control Department* (紀檢審計與法務風控部) of the Company will conduct regular checks to review and assess whether the transactions contemplated under the relevant continuing connected transactions are conducted in accordance with their respective agreements and will also regularly update the market prices for the purpose of considering if the prices charged for a specific transaction are fair and reasonable and in accordance with the stated pricing policy;
2. The external auditors of the Company will conduct an annual review on the pricing, terms and annual caps of the continuing connected transactions;
3. 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
4. The independent non-executive Directors will review the implementation and enforcement of the continuing connected transactions on an annual basis.

REASONS FOR AND BENEFITS OF ENTERING INTO THE PROPERTY LEASE AGREEMENT

The Directors is of the view that entering into the Property Lease Agreement is in line with its business development needs and will help to enhance its industry park operations business and also facilitate the achievement of its annual operating targets.

The Directors (including the independent non-executive Directors) consider that the terms of the Property Lease Agreement, the annual cap 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.

INFORMATION ON THE GROUP, CHENGDU SEEKON MICROWAVE AND CHINA ELECTRONICS TECHNOLOGY

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

Chengdu Seekon Microwave is a company established in the PRC with limited liability and is principally engaged in the production and development of microwave solid-state amplifiers, frequency converters, oscillators, and other communication equipment components; electronic devices; the research and development, sales, maintenance, lease of electronic instruments; the research and development, production and sales of electronic information systems; and the import and export of goods and technology.

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

LISTING RULES IMPLICATIONS

Chengdu Seekon Microwave is a wholly-owned subsidiary of 29th Research Institute, the indirect controlling shareholder of the Company, thus Chengdu Seekon Microwave is a connected person of the Company under the Listing Rules. As such the transactions contemplated under the Property Lease Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Property Lease Agreement are more than 0.1% but less than 5%, the transactions contemplated under the Property Lease Agreement are subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement as set out under Chapter 14A of the Listing Rules.

None of the Directors has a material interest in the Continuing Connected Transactions and therefore none of the Directors is required to abstain from voting on the resolution of the Board approving the Property Lease Agreement and the transactions contemplated thereunder.

DEFINITIONS

“Board”	board of directors of the Company
“Chengdu Seekon Microwave”	成都西科微波通訊有限公司 (Chengdu Seekon Microwave Communications Co., Ltd.), a company established in the PRC with limited liability, a wholly-owned subsidiary of 29th Research Institute
“China Electronics Technology”	中國電子科技集團有限公司 (China Electronics Technology Group Corporation), a state-owned company established in the PRC with limited liability, which is directly wholly owned by the SASAC

“Company”	成都普天電纜股份有限公司 (Chengdu PUTIAN Telecommunications Cable Company Limited), a sino-foreign joint stock limited company incorporated in the PRC, whose H Shares are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	directors of the Company
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas-listed foreign shares in the ordinary share capital of the Company, with a RMB denominated par value of RMB1.00 each
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	The People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Property Lease Agreement”	the property lease agreement entered into between the Company and Chengdu Seekon Microwave on 29 April 2022, pursuant to which the Group has agreed to lease the Property to Chengdu Seekon Microwave for the Term
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council of the PRC
“Share(s)”	domestic shares and/or H Shares
“Shareholder(s)”	Shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“29th Research Institute”	中國電子科技集團公司第二十九研究所(29th Research Institute of China Electronics Technology Group Corporation), the indirect controlling shareholder of the Company and a subordinate business entity of China Electronics Technology

“%”

per cent

By order of the Board
Chengdu PUTIAN Telecommunications Cable Company Limited
Li Tao
Chairman

Chengdu, the PRC, 29 April 2022

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

Executive Directors: Ms. Li Tao (*Chairman*), Mr. Li Jianyong, Mr. Hu Jiangbing,
Mr. Wu Xiaodong, Mr. Zhu Rui and Mr. Jin Tao

Independent Non-executive Directors: Ms. Fu Wenjie, Mr. Xiao Xiaozhou and Mr. Zhong Qishui