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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)

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

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



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 due to expire on 31 December 2024, 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 from time to time from 1 January 2025 to 31 December 2027.

LISTING RULES IMPLICATIONS

As of the date of this announcement, 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.

An extraordinary general meeting will be convened and held for, among other things, the Independent Shareholders to consider, and if thought fit, to approve the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement and the transactions contemplated thereunder. A circular containing, among other things, (i) further details of the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement; (ii) a letter from the Independent Board Committee containing its opinion and recommendations to the Independent Shareholders; (iii) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of extraordinary general meeting, is expected to be delivered to the Shareholders no more than 15 business days after the publication of this announcement in accordance with the Listing Rules.

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 due to expire on 31 December 2024 (subject to early termination), 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.

2024 OPTICAL CABLE AND ELECTRIC CABLE COMPONENT MANUFACTURING FRAMEWORK AGREEMENT

Details of the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement are as follows:

- Date: 25 September 2024
- Parties: (1) The Company; and
(2) Chengdu Siwi High-Tech.

Nature of the transaction:	Subject to the terms and conditions of each relevant purchase order, the Company agrees to manufacture and supply optical cable and electric cable components and related products from time to time during the effective term of the 2024 Optical Cable and Electric Cable Components 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).
Condition Precedent:	The 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement and the transactions contemplated thereunder is conditional upon obtaining the necessary approval and consent under the Listing Rules, which includes the approval by the Independent Shareholders at the extraordinary general meeting.

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 adopted 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.

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

Historical figures, existing annual caps and proposed annual caps

For the year ending 31 December				For the year ending 31 December				
2022	2022	2023	2023	2024	2024	2025	2026	2027
				For the eight months ended				
Historical amounts (RMB'000)	Existing annual cap (RMB'000)	Historical amounts (RMB'000)	Existing annual cap (RMB'000)	31 August 2024 (RMB'000) (unaudited)	Existing annual cap (RMB'000)	Proposed annual cap (RMB'000)	Proposed annual cap (RMB'000)	Proposed annual cap (RMB'000)
31,746	110,000	77,049	240,000	31,385	280,000	180,000	200,000	240,000

Basis of new annual caps

The proposed annual caps for the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement have been determined after taking into consideration: (i) the estimated demand from Chengdu Siwi High-Tech for electric cable components and related products with reference to the historical amounts for the year ending 31 December 2023 and the effect of anticipated changes in future supply arrangements of shifting from raw material preparation primarily conducted by Chengdu Siwi High-Tech on its own to raw material procurement and further processing by the Company; (ii) the total purchase amounts/estimated purchase amounts of optical cables and components and related products procured by Chengdu Siwi High-Tech for the years ending 31 December 2022 to 2027 as well as the assumption that half of the aforementioned demand will be satisfied by the Company; and (iii) an estimated growth rate of approximately 10% to 20% for the two years ending 31 December 2027 with reference to the total purchase amounts/estimated purchase amounts on components of optical cables and electric cables components and related products by Chengdu Siwi High-Tech for the years ending 31 December 2022 and 2023.

INTERNAL CONTROL MEASURES

The Company will also be subject to the following internal control procedure in order to ensure the pricing fairness for transactions under the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement and the monitoring of actual transaction amounts:

1. The Company will monitor the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement 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. 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 the corresponding approval process, with reference to the actual gross margin of the transaction;
2. Data on the Company's continuing management 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 reported 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 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 the continuing connected transactions on an annual basis.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2024 OPTICAL CABLE AND ELECTRIC CABLE COMPONENT MANUFACTURING FRAMEWORK AGREEMENT

The Group has proceeded 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 products and 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. 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.

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.

INFORMATION ON THE GROUP, CHENGDU SIWI HIGH-TECH AND CHINA ELECTRONICS TECHNOLOGY

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

Chengdu Siwi High-Tech is company 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).

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

LISTING RULES IMPLICATIONS

As of the date of this announcement, 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.

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

GENERAL

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

An extraordinary general meeting will be convened for the Independent Shareholders to consider and, if thought fit, to approve the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement, the proposed annual caps and the transactions contemplated thereunder. A circular containing, among other things (i) details of the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement; (ii) a letter of recommendation from the Independent Board Committee containing its opinion and recommendations to the Independent Shareholders; (iii) a letter from Gram Capital containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of extraordinary general meeting, will be despatched to the Shareholders no more than 15 business days after the publication of this announcement in accordance with the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms 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 to Chengdu Siwi High-Tech 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 cable and electric cable components to Chengdu Siwi Hi-Tech from time to time
“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
“Board”	the board of Directors

“Chengdu Siwi High-Tech”	成都四威高科技產業園有限公司 (Chengdu Siwi High-Tech Industrial Co., Ltd.), a company established in the PRC with limited liability, a wholly-owned subsidiary of the 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”	成都四威科技股份有限公司 (Chengdu SIWI Science & Technology 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 thereto under the Listing Rules
“controlling shareholder”	has the same meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) 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
“Independent Board Committee”	the independent committee of the Board, the members of which consist of all the independent non-executive Directors, formed to advise the Independent Shareholders with respect to the 2024 Optical Cable and Electric Cable Component Manufacturing Framework Agreement
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company 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 Shareholder(s)”	any Shareholder(s) who are not required to abstain from voting in respect of the ordinary resolution proposed for approval at the extraordinary general meeting pursuant to the Listing Rules

“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“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
“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), as amended from time to time
“Share(s)”	domestic shares and/or H Shares
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Chengdu, the PRC, 25 September 2024

** For identification purposes only*

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

Executive Directors: Ms. Li Tao (*Chairman*), Mr. Wu Xiaodong, Mr. Hu Jiangbing, Mr. Jin Tao, Mr. Chen Wei and Mr. Xu Jiabin

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