

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Smart Link Better Life.

Yangtze Optical Fibre and Cable Joint Stock Limited Company*

長飛光纖光纜股份有限公司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 6869)

PROPOSED ADOPTION OF EMPLOYEE SHARE OWNERSHIP PLAN

The Board is pleased to announce that the Board proposed to adopt the Employee Share Ownership Plan and resolved to submit the Employee Share Ownership Plan at the Extraordinary General Meeting for shareholders' approval.

The purpose of the Employee Share Ownership Plan is to provide for a mechanism whereby shareholders can share both benefits and risks, employees' loyalty can be improved and the Company's competitiveness can be enhanced. With the Employee Share Ownership Plan, it is believed that the interests of the key management team and key personnel can be aligned with that of shareholders, thereby promoting the Company's long term stable development and enhancing shareholders' value.

The Rules of the Employee Share Ownership Plan are drafted in accordance with relevant laws and regulations of the PRC, including the Company Law, the Securities Law and the Guiding Opinions, as well as the Articles of Association of the Company.

The Employee Share Ownership Plan involves no issue of new shares or granting of option for any new securities of the Company, thus it does not constitute a share option scheme as defined and regulated under Chapter 17 of the Listing Rules.

A circular containing further information on the Extraordinary General Meeting for shareholders to consider and approve the Employee Share Ownership Plan, the full text of the Employee Share Ownership Plan and notice of the Extraordinary General Meeting will be despatched to shareholders in due course.

EMPLOYEE SHARE OWNERSHIP PLAN

(i) Purpose

The Board is pleased to announce that the Board proposed to adopt the Employee Share Ownership Plan and resolved to submit the Employee Share Ownership Plan at the Extraordinary General Meeting for shareholders' approval.

The purpose of the Employee Share Ownership Plan is to provide for a mechanism whereby shareholders can share both benefits and risks, employees' loyalty can be improved and the Company's competitiveness can be enhanced. With the Employee Share Ownership Plan, it is believed that the interests of the key management team and key personnel can be aligned with that of shareholders, thereby promoting the Company's long term stable development and enhancing shareholders' value.

The Rules of the Employee Share Ownership Plan are drafted in accordance with relevant laws and regulations of the PRC, including the Company Law, the Securities Law and the Guiding Opinions, as well as the Articles of Association of the Company.

(ii) Participants of the Employee Share Ownership Plan

The Participants of the Employee Share Ownership Plan are core personnel of the Company who have significant influence on the Company's operating results and medium to long-term development. The personnel entitled to participate in the Employee Share Ownership Plan include senior management and employees of the Company and its subsidiaries, with a total number of not more than 100 persons. All Participants are required to have a valid service contract with the Company during the term of the Employee Share Ownership Plan.

(iii) Source of Funds

Participants of Employee Share Ownership Plan are considered appropriate to share the profits of the Company by virtue of the contributions of their human capital and capability and all or part of the employee bonus to be granted to the Participants shall be in the form of units in the Employee Share Ownership Plan. The source of funds for funding the Employee Share Ownership Plan is the employee bonus funds in the amount of RMB40 million, the accrued employee bonus funds are recognised as expenses in the period in which they are incurred according to the accrued basis, representing approximately 3.15% of the net profit attributable to shareholders of the Company for 2017.

(iv) Source of Shares

Upon approval at the Extraordinary General Meeting, Shares will be subscribed for the purpose of the Employee Share Ownership Plan under the Asset Management Program to be established by a professional organization, which shall acquire and hold the H Shares of the Company in the manner as permitted by laws and regulations, including through purchases in the secondary market through Shanghai-Hong Kong Stock Connect.

The total number of Shares to be held under the Employee Share Ownership Plan shall not be more than 10% of the total share capital of the Company. The total number of underlying Shares held by a single Participant according to his/her units in the Employee Share Ownership Plan shall not be more than 1% of the total share capital of the Company. The total number of underlying Shares held by Participants under the Employee Share Ownership Plan for the purpose of the aforesaid limit shall exclude the Shares acquired before the initial public offering of the Company, the Shares acquired independently in the secondary market and the Shares obtained through other equity incentives.

(v) Size of the Employee Share Ownership Plan

The maximum size of the Employee Share Ownership Plan is RMB40 million, and the maximum number of H Shares that can be purchased for the purpose of the Employee Share Ownership Plan is 2,000,000 H Shares. Based on the closing price of HK\$22.20 per share of the Company's H Shares on December 14, 2018 (calculated based on the exchange rate between Hong Kong dollars and RMB of HK\$1.00 to RMB0.88025 published by the People's Bank of China on December 14, 2018), the maximum number of the H Shares that can be purchased for the purpose of the Employee Share Ownership Plan is the lower of 2,047,000 H Shares and 2,000,000 H Shares, accounting for approximately 0.2639% of the Company's total share capital. The ultimate number of H Shares underlying the Employee Share Ownership Plan is therefore uncertain as it depends on the actual implementation of acquiring the H Shares.

(vi) Term of the Employee Share Ownership Plan

1. The term of the current phase of Employee Share Ownership Plan shall not exceed 60 months commencing from the date the Employee Share Ownership Plan is considered and approved by shareholders' at the Extraordinary General Meeting and the Company's announcement of the registration and transfer of the Shares under the name of the Asset Management Program. If the term expires and is not extended, the Employee Share Ownership Plan shall automatically be terminated.

2. The asset management institution entrusted for the Employee Share Ownership Plan shall, in accordance with the arrangement under the Employee Share Ownership Plan, complete the purchase of the underlying Shares within 6 months after the Employee Share Ownership Plan is considered and approved at the Extraordinary General Meeting.
3. If Shares of the Company held under the Asset Management Program are unable to be fully realized before expiry of the term of the Employee Share Ownership Plan due to suspension or short window of trading of Shares of the Company, provided that approval is obtained from more than two-thirds of units held by Participants attending the Participants' meeting and from the Board two months before the expiration of the term of the Employee Share Ownership Plan, the term of the current phase of Employee Share Ownership Plan may be extended.

(vii) Lock-up period of the Employee Share Ownership Plan

1. The lock-up period for the Shares allotted pursuant to the Employee Share Ownership Plan shall be 12 months starting from the date of the Company's announcement of the registration and transfer of the Shares to be purchased in the final transaction under the name of the Asset Management Program. The Shares will be unlocked in four phases, namely in 12 months, 24 months, 36 months and 48 months after the Company's announcement of the transfer of the Shares to be purchased in the final transaction under the name of the Asset Management Program, with 25% of the Shares being unlocked in each phase.
2. Shares of the Company allotted under the Asset Management Program due to the Company's distribution of share dividends and conversion of shares into capital reserves shall also be subject to the lock-up.
3. All relevant entities in the Employee Share Ownership Plan must strictly abide by the market trading rules. Upon expiration of the lock-up period, the Management Committee may authorize the asset management organization to sell the Shares held under the Asset Management Program during the term of the Employee Share Ownership Plan. Except as otherwise provided by the CSRC, the SSE, the Stock Exchange and other regulatory agencies, the Asset Management Program may not buy or sell Shares of the Company during the following periods:
 - (a) 60 days prior to the announcement of the Company's annual results, or 30 days prior to the announcement of the Company's interim or quarterly results;

- (b) 10 days prior to the release of the Company's results preview or preliminary report;
- (c) the period starting from the date when a material issue, which may significantly affect the Company's share price, occurs or is in the process of decision-making to 2 trading days after the issue being disclosed in accordance with laws.

Before deciding to buy or sell shares of the Company, the Management Committee or the Asset Management Program shall promptly consult the Company's board secretary and find out whether it is in a sensitive period for share trading.

(viii) Management body and management mode of the Employee Share Ownership Plan

The highest internal management authority of the Employee Share Ownership Plan shall be the Participants' meeting. A Management Committee shall be set up under the Employee Share Ownership Plan to supervise the daily management of the Employee Share Ownership Plan, exercise the Participants' rights on behalf of the Participants or authorize the asset management authority to exercise shareholders' rights. The Board is responsible for drafting and revising the draft rules of the Employee Share Ownership Plan and handling other related matters of the Employee Share Ownership Plan within the scope authorized by the shareholders' general meeting. The Employee Share Ownership Plan entrusts a professional organization with asset management qualifications to carry out its management.

(ix) Selection of Management Agency of the Employee Share Ownership Plan

The Management Committee entrusts a professional management agency with qualification of asset management to manage the Employee Share Ownership Plan, and protects the legal rights and interests of the Employee Share Ownership Plan according to the rules relating to asset management business issued by regulatory body and the agreement of the Employee Share Ownership Plan to ensure the safety of assets held under the Employee Share Ownership Plan.

The Company will enter into the asset management contract and related agreement documents with the management organization on behalf of the Employee Share Ownership Plan.

IMPLICATION OF THE LISTING RULES

The Employee Share Ownership Plan involves no issue of new shares or granting of option for any new securities of the Company, thus it does not constitute a share option scheme as defined and regulated under Chapter 17 of the Listing Rules.

GENERAL MEETING AND CIRCULAR

The Board proposed to adopt the Employee Share Ownership Plan and resolved to submit the Employee Share Ownership Plan at the Extraordinary General Meeting for shareholders' approval and for authorising the Board to deal with related matters of the Employee Share Ownership Plan. A circular containing further information on the Extraordinary General Meeting for shareholders to consider and approve the Employee Share Ownership Plan, the full text of the Employee Share Ownership Plan and notice of the Extraordinary General Meeting will be despatched to shareholders in due course.

DEFINITIONS

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

“Asset Management Program”	the Asset Management Program to be set up by an asset management institution entrusted by the Company for the Employee Share Ownership Plan
“Board”	the board of Directors of the Company
“Company”	Yangtze Optical Fibre and Cable Joint Stock Limited Company* (長飛光纖光纜股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the A shares and H shares of which are listed on SSE and the Main Board of the Stock Exchange, respectively
“Company Law”	the Company Law of the People's Republic of China
“CSRC”	China Securities Regulatory Commission

“Director(s)”	the director(s) of the Company
“Employee Share Ownership Plan”	the employee share ownership plan to be proposed and adopted by the Company at the Extraordinary General Meeting, pursuant to which, specific employees are rewarded indirectly with Shares by the Company in accordance with the terms of the employee share ownership plan
“Extraordinary General Meeting”	an extraordinary general meeting of the Company to be held to consider and approve, among other things, the adoption of the Employee Share Ownership Plan
“Guiding Opinions”	the Guiding Opinions on Pilots of Listed Companies for Implementation of Employee Share Ownership Plan《關於上市公司實施員工持股計劃試點的指導意見》
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Management Committee”	Management Committee of the Employee Share Ownership Plan
“Participants”	employees of the Company who participate in the Employee Share Ownership Plan
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Securities Law”	the Securities Law of the People’s Republic of China
“Shares”	H Shares
“SSE”	Shanghai Stock Exchange

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“%”

percent

By Order of the Board
Yangtze Optical Fibre and Cable Joint Stock Limited Company*

長飛光纖光纜股份有限公司

Ma Jie

Chairman

Wuhan, PRC

December 14, 2018

As at the date of this announcement, the Board comprises Zhuang Dan and Frank Franciscus Dorjee, as executive directors; Ma Jie, Yao Jingming, Philippe Claude Vanhille, Pier Francesco Facchini, Xiong Xiangfeng and Zheng Huili, as non-executive directors; Ngai Wai Fung, Ip Sik On Simon, Li Ping and Li Zhuo, as independent non-executive directors.

** For identification purposes only*