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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)

CONNECTED TRANSACTION ACQUISITION OF THE 28.42% EQUITY INTEREST IN YOSC

THE ACQUISITION

The Board is pleased to announce that on February 18, 2021, the Company and Yangtze Communications entered into the Equity Transfer Agreement, pursuant to which the Company agreed to purchase, and Yangtze Communications agreed to sell, the Sale Shares, representing 28.42% equity interest in YOSC, at a cash consideration of RMB20,553,300. As at the date of this announcement, YOSC is held as to 46.32% by the Company, 28.42% by Yangtze Communications, 20% by Hubei Guangyuan Electric, 2.89% by Mr. Meng Kai and 2.37% by Mr. Yang Nianqun, respectively. Upon completion of the Acquisition, YOSC will become a non-wholly owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Yangtze Communications holds approximately 15.82% of the total issued share capital of the Company and is therefore a substantial shareholder and hence a connected person of the Company under the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction under the Listing Rules. As all the relevant percentage ratios under the Listing Rules in respect of the Acquisition are more than 0.1% but less than 5%, the Acquisition is subject to the reporting and announcement requirements but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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PRINCIPAL TERMS OF THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are summarized below.

Date

February 18, 2021

Parties

- (1) The Company, as the transferee; and
- (2) Yangtze Communications, as the transferor.

Assets to be acquired

Pursuant to the Equity Transfer Agreement, the Company agreed to purchase, and Yangtze Communications agreed to sell, the Sale Shares, representing 28.42% equity interest in YOSC.

Upon completion of the Acquisition, YOSC will become a non-wholly owned subsidiary of the Company.

Consideration

In January 2021, Yangtze Communications listed the proposed sale of the Sale Shares by way of public tender through the Beijing Equity Exchange. Pursuant to the public tender results announced by the Beijing Equity Exchange, the consideration for the transfer of the Sale Shares is RMB20,553,300. The consideration has been determined with reference to an asset valuation report issued by a qualified and independent valuer, namely Hubei Zhonglian Asset Valuation Co., Ltd.* (湖北眾聯資產評估有限公司), with an appraisal date of October 31, 2020. The appraised value of the total shareholders equity interest in of YOSC is RMB72,317,100.

Upon confirmation by the Beijing Equity Exchange of its qualification as a transferee, the Company was requested to pay a cash deposit of RMB6,165,000 to a designated account of the Beijing Equity Exchange as a guarantee for the transaction and as a proof of its financial capability to perform the contract, and such deposit was paid on February 9, 2021. The balance of the consideration of RMB14,388,300, being the consideration for the transfer of the Sale Shares less the deposit of RMB6,165,000, shall be payable by the Company in cash within five working days of the date of the Equity Transfer Agreement. The deposit has been, and the balance of the consideration will be, funded by the Group's internal resources.

Completion

Completion for the Acquisition shall take place on the date of the issue of equity rights transfer certificate by the Beijing Equity Exchange. Within 15 working days of the issue of the equity transfer certificate by the Beijing Equity Exchange, Yangtze Communication shall, and shall procure YOSC to complete the registration procedures for the transfer of the Sale Shares.

INFORMATION ON YOSC

YOSC was established on July 29, 2004 in the PRC and is principally engaged in the development, manufacturing, processing and sales of specialty optical fibre, optical components, optical sensing and other optical system related product series. Set out below is the financial information of YOSC for the two financial years ended December 31, 2019 and 2020 prepared in accordance with the CASBE:

	For the year ended	
	December 31,	
	2019	2020
	(RMB' 000)	(RMB' 000)
	(Audited)	(Unaudited)
Revenue	64,670.2	90,435.3
Net profit before taxation	2,968.4	1,676.4
Net profit after taxation	2,993.5	1,462.8
	As at December 31,	
	2019	2020
	(RMB' 000)	(RMB' 000)
	(Audited)	(Unaudited)
Total assets	96,005.0	120,317.6
Total liabilities	25,671.2	48,337.9
Net assets	70,333.8	71,979.7

Since YOSC was established by, among others, the Company and Yangtze Communications, the original acquisition cost to Yangtze Communications for the 28.42% equity interest in YOSC was RMB13,500,000, being the amount of registered capital of YOSC initially contributed by Yangtze Communications.

As at the date of this announcement, YOSC is held as to 46.32% by the Company, 28.42% by Yangtze Communications, 20% by Hubei Guangyuan Electric, 2.89% by Mr. Meng Kai and 2.37% by Mr. Yang Nianqun, respectively. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) Hubei Guangyuan Electric is ultimately owned as to 80% by Ms. Liu Yan, and 20% by Mr. Hu Bin; and (ii) Hubei Guangyuan Electric, its ultimate beneficial owners, Mr. Meng Kai and Mr. Yang Nianqun are Independent Third Parties.

INFORMATION ON THE COMPANY AND YANGTZE COMMUNICATIONS

The Company is one of the leading optical fibre preform, optical fibre and optical fibre cable suppliers in the world. The Group is principally engaged in the manufacture and sales of optical fibre preforms, optical fibres and optical fibre cables with various standard specifications that are widely used in the telecommunications industry and the provision of other related products and services.

Yangtze Communications is a company established in the PRC on January 2, 1996 and is mainly engaged in the investment, research and development and manufacture, as well as sales of communications products. It also provides integrated communications and information systems related technical services. Yangtze Communications is a company listed on the Shanghai Stock Exchange (stock code: 600345). As at the date of this announcement, Yangtze Communications holds approximately 15.82% of the total issued share capital of the Company.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Acquisition is part of the Group's continued growth strategy. As at the date of this announcement, YOSC is owned as to 46.32% by the Company and is accounted for as an investment in joint venture. Upon completion of the Acquisition, YOSC will become a non-wholly owned subsidiary of the Company and its financial results will be consolidated into the consolidated financial statements of the Group. The Group will benefit from optimization of resources and expansion of business in the niche telecommunication markets such as optical components.

The Directors (including the independent non-executive Directors) consider that the terms of the Equity Transfer Agreement are fair and reasonable and on normal commercial terms, and that the entering into of the Equity Transfer Agreement is in the interest of the Company and the shareholders of the Company as a whole. Other than Mr. Xiong Xiangfeng and Ms. Lai Zhimin, none of the Directors has a material interest in the Equity Transfer Agreement or is required to abstain from voting on the Board resolution in relation to the Equity Transfer Agreement. Mr. Xiong Xiangfeng is the chairman of Yangtze Communications and Ms. Lai Zhimin is the Vice President and Chief Financial Officer of Yangtze Communications.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Yangtze Communications holds approximately 15.82% of the total issued share capital of the Company and is therefore a substantial shareholder and hence a connected person of the Company under the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction under the Listing Rules. As all the relevant percentage ratios under the Listing Rules in respect of the Acquisition are more than 0.1% but less than 5%, the Acquisition is subject to the reporting and announcement requirements but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares pursuant to the Equity Transfer Agreement
“A Share(s)”	ordinary share(s) of the Company, with a nominal value of RMB1.00 each, which are subscribed for in Renminbi and listed on the Shanghai Stock Exchange (Stock Code: 601869)
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Beijing Equity Exchange”	the Beijing Equity Exchange (北京產權交易所) of the PRC
“Board”	the board of directors of the Company
“CASBE”	the China Accounting Standards for Business Enterprises (中國企業會計準則)

“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 Shanghai Stock Exchange and the Main Board of the Stock Exchange, respectively
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated February 18, 2021 entered into between the Company as transferee and Yangtze Communications as transferor in relation to the Acquisition
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“H Share(s)”	overseas listed foreign shares in the share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Stock Exchange and traded in Hong Kong Dollars
“Hubei Guangyuan Electric”	Hubei Guangyuan Electric Technology Co., Ltd* (湖北光源電子科技有限公司), a company established under the laws of the PRC and is ultimately owned as to 80% by Ms. Liu Yan, and 20% by Mr. Hu Bin, both are Independent Third Parties
“Independent Third Party(ies)”	third party(ies) independent of the Company and not connected with its connected persons (as defined under the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, and 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
“Sale Shares”	13,500,000 shares in YOSC, representing the 28.42% equity interest in YOSC
“Share(s)”	A Shares and/or H Shares
“Shareholder(s)”	holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“subsidiaries”	has the meaning ascribed thereto in the Listing Rules
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Yangtze Communications”	Wuhan Yangtze Communications Industry Group Co., Ltd.* (武漢長江通信產業集團股份有限公司), a company established in the PRC on 2 January 1996 which holds approximately 15.82% of the total issued share capital of the Company as at the date of this announcement and a connected person of the Company
“YOSC”	Yangtze (Wuhan) Optical System Corporation* (長飛(武漢)光系統股份有限公司), a company established in the PRC on July 29, 2004 and is owned as to 46.32% by the Company prior to completion of the Acquisition

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, February 18, 2021

As at the date of this announcement, the Board comprises Mr. Zhuang Dan as executive director; Mr. Ma Jie, Mr. Philippe Claude Vanhille, Mr. Guo Tao, Mr. Pier Francesco Facchini, Mr. Frank Franciscus Dorjee, Mr. Xiong Xiangfeng and Ms. Lai Zhimin, as non-executive directors; Mr. Bingsheng Teng, Mr. Liu Deming, Mr. Song Wei and Dr. Wong Tin Yau, Kelvin, as independent non-executive directors.

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