
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Yangtze Optical Fibre and Cable Joint Stock Limited Company*, you should at once hand this circular together with the accompanying proxy form to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

- (1) PROPOSED NEW CAPS FOR THE OPTICAL FIBRE TECHNOLOGY COOPERATION AGREEMENT WITH DRAKA;**
- (2) RENEWAL OF THE CONTINUING CONNECTED TRANSACTIONS WITH YOFC SHANGHAI, THE PRYSMIAN GROUP, CHINA HUAXIN GROUP AND NOKIA SHANGHAI GROUP**
- (3) PROPOSAL ON THE ESTIMATES OF THE 2023 TO 2025 ANNUAL TRANSACTION AMOUNTS FOR THE RELATED PARTY TRANSACTIONS TO BE CARRIED OUT IN THE ORDINARY AND USUAL COURSE OF BUSINESS**
- AND**
- (4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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

ALTUS CAPITAL LIMITED

A letter from the Board is set out on pages 7 to 51 in this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 52 to 53 of this circular. A letter from the Independent Financial Adviser, Altus Capital, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 54 to 80 of this circular.

A notice of the EGM to be held at Multi-Media Meeting Room, 201# Building, No. 9 Guanggu Avenue, East Lake High-tech Development Zone, Wuhan, Hubei Province, PRC on Friday, February 17, 2023 at 2:00 p.m. is set out on pages 95 to 98 of this circular.

If you intend to appoint a proxy to attend the EGM, you are required to complete and return the accompanying proxy form in accordance with the instructions printed thereon. The proxy form should be returned by holder of H Shares to the Company's H share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by hand or by post not less than 24 hours before the time appointed for holding the EGM or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or at any adjourned meeting should you so wish, but in such event the instrument appointing a proxy shall be deemed to be revoked.

References to time and dates in this circular are to Hong Kong time and dates.

* For identification purpose only

January 20, 2023

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DEFINITIONS

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

“2020-2022 Prysmian Framework Agreements”	together, the 2020-2022 Prysmian Sales Framework Agreement and the 2020-2022 Prysmian Purchase Framework Agreement
“2020-2022 Prysmian Purchase Framework Agreement”	the purchase framework agreement entered into between Prysmian S.p.A. and the Company on March 31, 2020 to regulate the purchase transactions of the Group with the Prysmian Group
“2020-2022 Prysmian Sales Framework Agreement”	the sales framework agreement entered into between Prysmian S.p.A. and the Company on March 31, 2020 to regulate the sales transactions of the Group with the Prysmian Group
“2020-2022 YOFC Shanghai Framework Agreements”	together, the 2020-2022 YOFC Shanghai Sales Framework Agreement and the 2020-2022 YOFC Shanghai Purchase Framework Agreement
“2020-2022 YOFC Shanghai Purchase Framework Agreement”	the purchase framework agreement entered into between YOFC Shanghai and the Company on December 20, 2019 to regulate the purchase transactions of the Group with YOFC Shanghai
“2020-2022 YOFC Shanghai Sales Framework Agreement”	the sales framework agreement entered into between YOFC Shanghai and the Company on December 20, 2019 to regulate the sales transactions of the Group with YOFC Shanghai
“2022 China Huaxin Framework Agreement”	the sales and purchase framework agreement entered into between China Huaxin and the Company on December 20, 2021 to regulate the sales and purchase transactions of the Group with China Huaxin Group
“2022 Nokia Shanghai Purchase Framework Agreement”	the purchase framework agreement entered into between Nokia Shanghai and the Company on December 20, 2021 to regulate the purchase transactions of the Group with Nokia Shanghai Group
“2023-2025 China Huaxin Framework Agreement”	the sales and purchase framework agreement entered into between China Huaxin and the Company on December 16, 2022 to regulate the sales and purchase transactions of the Group with China Huaxin Group

DEFINITIONS

“2023-2025 Nokia Shanghai Framework Agreement”	the purchase framework agreement entered into between Nokia Shanghai and the Company on December 16, 2022 to regulate the purchase transactions of the Group with Nokia Shanghai Group
“2023-2025 Prysmian Framework Agreements”	together, the 2023-2025 Prysmian Sales Framework Agreement and the 2023-2025 Prysmian Purchase Framework Agreement
“2023-2025 Prysmian Purchase Framework Agreement”	the purchase framework agreement entered into between Prysmian S.p.A. and the Company on December 16, 2022 to regulate the purchase transactions of the Group with the Prysmian Group
“2023-2025 Prysmian Sales Framework Agreement”	the sales framework agreement entered into between Prysmian S.p.A. and the Company on December 16, 2022 to regulate the sales transactions of the Group with the Prysmian Group
“2023-2025 YOFC Shanghai and Prysmian Purchase Framework Agreements”	together, the 2023-2025 YOFC Shanghai Purchase Framework Agreement and the 2023-2025 Prysmian Purchase Framework Agreement
“2023-2025 YOFC Shanghai and Prysmian Sales Framework Agreements”	together, the 2023-2025 YOFC Shanghai Sales Framework Agreement and the 2023-2025 Prysmian Sales Framework Agreement
“2023-2025 YOFC Shanghai Framework Agreements”	together, the 2023-2025 YOFC Shanghai Sales Framework Agreement and the 2023-2025 YOFC Shanghai Purchase Framework Agreement
“2023-2025 YOFC Shanghai Purchase Framework Agreement”	the purchase framework agreement entered into between YOFC Shanghai and the Company on December 16, 2022 to regulate the purchase transactions of the Group with YOFC Shanghai
“2023-2025 YOFC Shanghai Sales Framework Agreement”	the sales framework agreement entered into between YOFC Shanghai and the Company on December 16, 2022 to regulate the sales transactions of the Group with YOFC Shanghai
“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)

DEFINITIONS

“Articles of Association”	the articles of association of the Company, as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“China Huaxin”	China Huaxin Post and Telecom Technologies Co., Ltd. (中國華信郵電科技有限公司), a company established in the PRC on January 21, 1993 and is wholly-owned by China Poly Group Corporation Limited (中國保利集團有限公司). It is a substantial shareholder and a connected person of the Company
“China Huaxin Group”	China Huaxin and its subsidiaries
“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
“Continuing Connected Transactions”	the continuing connected transactions as contemplated under the 2023-2025 YOFC Shanghai Sales Framework Agreement, the 2023-2025 YOFC Shanghai Purchase Framework Agreement, the 2023-2025 Prysmian Sales Framework Agreement and the 2023-2025 Prysmian Purchase Framework Agreement, details of which are more particularly described in the paragraph headed “III. Sales and Purchase Transactions with YOFC Shanghai and the Prysmian Group” in this circular
“Directors”	the directors of the Company
“Draka”	Draka Comteq B.V., a company incorporated in the Netherlands on May 14, 2004 and wholly-owned by Draka Holding B.V.. It is a substantial shareholder and a connected person of the Company

DEFINITIONS

“EGM”	an extraordinary general meeting of the Company to be held at Multi-Media Meeting Room, 201# Building, No. 9 Guanggu Avenue, East Lake High-tech Development Zone, Wuhan, Hubei Province, PRC on Friday, February 17, 2023 at 2:00 p.m., or any adjournment thereof
“Group”	the Company and its subsidiaries (excluding YOFC Shanghai if and where the context requires)
“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
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, established to advise the Independent Shareholders on (1) the sales and purchase transactions with YOFC Shanghai as respectively contemplated under the 2023-2025 YOFC Shanghai Sales Framework Agreement and the 2023-2025 YOFC Shanghai Purchase Framework Agreement and the respective proposed annual caps, and (2) the sales and purchase transactions with the Prysmian Group as respectively contemplated under the 2023-2025 Prysmian Sales Framework Agreement and the 2023-2025 Prysmian Purchase Framework Agreement and the respective proposed annual caps
“Independent Financial Adviser” or “Altus Capital”	Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions, the respective proposed annual caps for the transactions under the 2023-2025 YOFC Shanghai Sales Framework Agreement and the 2023-2025 YOFC Shanghai Purchase Framework Agreement, and the respective proposed annual caps for the transactions under the 2023-2025 Prysmian Sales Framework Agreement and the 2023-2025 Prysmian Purchase Framework Agreement

DEFINITIONS

“Independent Shareholders”	has the meaning ascribed to it under the Listing Rules, and in relation to the Company means the Shareholders other than Draka and its associates, or China Huaxin and its associates, as the case may be
“Latest Practicable Date”	January 17, 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Nokia Shanghai”	Nokia Shanghai Bell Co., Ltd. (上海諾基亞貝爾股份有限公司)
“Nokia Shanghai Group”	Nokia Shanghai and its subsidiaries
“Optical Fibre Technology Cooperation Agreement”	the optical fibre technology cooperation agreement entered into on October 13, 2008 between Draka and the Company, which was subsequently revised on August 27, 2013 and May 30, 2014
“OVD”	outside vapor deposition
“PCVD”	plasma activated chemical vapor deposition
“PRC”	the People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prysmian Group”	Prysmian S.p.A. and its associates (for the avoidance of doubt, excluding YOFC Shanghai)
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai Listing Rules”	the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (上海證券交易所股票上市規則)

DEFINITIONS

“Shanghai Stock Exchange”	Shanghai Stock Exchange
“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
“Supervisors”	the supervisors of the Company
“VAD”	vapor axial deposition
“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 incorporated in the PRC. It is a substantial shareholder and a connected person of the Company
“YOFC Shanghai”	Yangtze Optical Fibre and Cable (Shanghai) Co., Ltd. (長飛光纖光纜(上海)有限公司), a company incorporated in the PRC on October 30, 2002. It is owned as to 75% by the Company and 25% by Draka, and a connected person of the Company
“%”	per cent

* *For identification purpose only*

LETTER FROM THE BOARD



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)

Executive Director:

Mr. ZHUANG Dan

Registered Office:

No. 9 Guanggu Avenue
East Lake High-tech Development Zone
Wuhan, Hubei Province
PRC

Non-executive Directors:

Mr. MA Jie (*Chairman*)
Mr. Philippe Claude VANHILLE
Mr. GUO Tao
Mr. Pier Francesco FACCHINI
Mr. Frank Franciscus DORJEE
Mr. XIONG Xiangfeng
Ms. LAI Zhimin

Principal Place of Business in Hong Kong:

5/F, Manulife Place
348 Kwun Tong Road
Kowloon
Hong Kong

Independent Non-executive Directors:

Mr. Bingsheng TENG
Mr. LIU Deming
Mr. SONG Wei
Dr. WONG Tin Yau, Kelvin

January 20, 2023

To the Shareholders

Dear Sir or Madam,

- (1) PROPOSED NEW CAPS FOR THE OPTICAL FIBRE TECHNOLOGY COOPERATION AGREEMENT WITH DRAKA;**
(2) RENEWAL OF THE CONTINUING CONNECTED TRANSACTIONS WITH YOFC SHANGHAI, THE PRYSMIAN GROUP, CHINA HUAXIN GROUP AND NOKIA SHANGHAI GROUP
(3) PROPOSAL ON THE ESTIMATES OF THE 2023 TO 2025 ANNUAL TRANSACTION AMOUNTS FOR THE RELATED PARTY TRANSACTIONS TO BE CARRIED OUT IN THE ORDINARY AND USUAL COURSE OF BUSINESS
AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING

I. INTRODUCTION

Reference is made to (i) the announcement of the Company dated December 16, 2022 in relation to, among other things, (a) the proposed new caps for the Optical Fibre Technology Cooperation Agreement with Draka, (b) the continuing connected transactions between the Group on the one hand and YOFC Shanghai and the Prysmian Group, respectively, on the other,

LETTER FROM THE BOARD

and (c) the continuing connected transactions between the Group on the one hand and China Huaxin Group and Nokia Shanghai Group, respectively, on the other; and (ii) the overseas regulatory announcement of the Company dated December 16, 2022 in relation to the proposal on the estimates of the 2023 to 2025 annual transaction amounts for the related party transactions to be carried out in the ordinary and usual course of business.

The purpose of this circular is to provide you with, among other things, (i) details of the proposed caps for the continuing connected transactions between the Company and Draka as contemplated under the Optical Fibre Technology Cooperation Agreement for the year ending December 31, 2023 and the period from January 1, 2024 to July 22, 2024; (ii) the information of the sales and purchase transactions with YOFC Shanghai and the Prysmian Group as contemplated under the 2023-2025 YOFC Shanghai and Prysmian Sales Framework Agreements and the 2023-2025 YOFC Shanghai and Prysmian Purchase Framework Agreements and the respective proposed annual caps for the year ending December 31, 2023, 2024 and 2025; (iii) the information of the sales and purchase transactions with China Huaxin Group as contemplated under the 2023-2025 China Huaxin Framework Agreement and the purchase transactions with Nokia Shanghai as contemplated under the 2023-2025 Nokia Shanghai Purchase Framework Agreement and the respective proposed annual caps for the year ending December 31, 2023, 2024 and 2025; (iv) details of the proposal on the estimates of the 2023 to 2025 annual transaction amounts for the related party transactions to be carried out in the ordinary and usual course of business; and (v) the notice of EGM.

II. PROPOSED NEW CAPS FOR THE OPTICAL FIBRE TECHNOLOGY COOPERATION AGREEMENT WITH DRAKA

A. Background

The existing annual caps for the transactions contemplated under the Optical Fibre Technology Cooperation Agreement expired on December 31, 2022. As the Optical Fibre Technology Cooperation Agreement will not expire until July 22, 2024 and the Company will continue carrying out the transactions contemplated thereunder in the ordinary and usual course of business of the Group, the Board proposes to renew the annual cap for the year ending December 31, 2023 and the cap for the period from January 1, 2024 to July 22, 2024.

B. Summary of the Terms of the Optical Fibre Technology Cooperation Agreement

The Company entered into the Optical Fibre Technology Cooperation Agreement with Draka in relation to the joint development of optical fibre technology, the grant of a license over Draka's patents and the provision of technical services. The principal terms of the Optical Fibre Technology Cooperation Agreement are summarized below:

Date	October 13, 2008, and further revised on August 27, 2013 and May 30, 2014
Parties	The Company and Draka

LETTER FROM THE BOARD

Duration

The Optical Fibre Technology Cooperation Agreement came into effect on June 1, 2008 and shall expire on July 22, 2024 unless terminated earlier by one party by written notice in the case of breach of contract by the other party, provided that in the case of any breach capable of being made good, the agreement shall not be terminated unless and until such breaching party has failed to ratify the breach within sixty days after it has been served with a written notice specifying the breach and requiring it to ratify the breach.

Nature of Transactions

Joint development of optical fibre technology, the grant of a license over Draka's patents and the provision of technical services.

Joint development of optical fibre technology

The Company and Draka agree to seek and conduct joint development project in the area of optical fibre technology. A joint development project shall become effective after a separate written agreement on a project plan shall be entered into between the parties to set out, among other things, the scope, goal, schedule and budget of the project and the nomination of project leaders for the purpose of such joint development project. Either party shall have the right of first refusal to acquire jointly developed inventions in the event of liquidation or termination of the other party.

License Grant

Draka has granted a non-exclusive and non-transferable license to the Company to use certain patent or patent applications owned by Draka to manufacture at the Company's production facility in Wuhan, the PRC and sell optical fibres and semi-finished products that are used for the manufacture of optical fibres in and outside China.

Provision of Technical Services

The Company and Draka have agreed to provide to each other the training, support, assistance to operate the optical fibre production equipment and assessment of possibilities for procurement of raw materials and components.

LETTER FROM THE BOARD

Pricing Basis

Joint development of optical fibre technology

Each party shall bear its own internal costs to conduct the joint development project and shall exclusively own the intellectual property rights of the inventions made solely by its own inventors. Both the Company and Draka have the right to use the inventions solely developed by the other party free of charge on a nonexclusive basis for the production and sales of optical fibres and semi-finished products that are used for the manufacture of optical fibres. In case the inventions are not independently developed by either party, the rights shall be jointly owned by the Company and Draka on a 50:50 basis.

License Grant

The Company has agreed to pay royalty fee to Draka equivalent to 1.3% of the net selling price of each optical fibre product manufactured under the licensed patents that the Company sells or disposes of, which was determined based on arm's length negotiations taking into account the market royalty fees for licensing patents of a similar nature from independent third parties. The Company is not required to pay any royalty fees if products are sold to Draka or its affiliates. If either party wishes to use any improvements, upgrades, modifications made in the working methods, manufacturing processes and manufacturing equipment that the other party applies or uses in its mass production of optical fibre products, then it may file a request with the other party and, if the other party accepts such request, additional royalties shall be payable as agreed upon the parties.

Provision of Technical Services

The remuneration to be paid by each party for technical services shall be determined under a separate agreement.

LETTER FROM THE BOARD

C. The Existing Annual Caps and Historical Amounts

The table below sets out the existing annual caps for the transactions contemplated under the Optical Fibre Technology Cooperation Agreement during the periods indicated below:

	For the year ended December 31,		
	2020	2021	2022
	<i>(RMB' 000)</i>		
Existing annual caps	25,000	25,000	25,000

The table below sets out the total amount of royalty fees paid by the Company to Draka under the Optical Fibre Technology Cooperation Agreement during the periods indicated below:

	For the year ended		Eleven months
	December 31,	2021	ended
	2020	2021	November 30,
	<i>(RMB' 000)</i>		2022
	<i>(audited)</i>		<i>(unaudited)</i>
Royalty fees	18,601	21,869	19,500

Notes:

- (1) During the years ended December 31, 2020 and 2021 and the eleven months ended November 30, 2022, no joint development project has been carried out and no fees have been incurred by the Company.
- (2) During the years ended December 31, 2020 and 2021 and the eleven months ended November 30, 2022, no technical services has been procured from Draka and no technical service fees have been paid by the Company.

D. Proposed New Caps

The Company currently does not have any plan to conduct any joint development project with Draka or to source any technical services from Draka. The Board proposes that the below caps be set for the total amount of royalty fees payable to Draka under the Optical Fibre Technology Cooperation Agreement in respect of the year ending December 31, 2023 and the period from January 1, 2024 to July 22, 2024:

	For the year ending	For the period from
	December 31, 2023	January 1, 2024 to
	July 22, 2024	
	<i>(RMB' 000)</i>	
Royalty fees	25,000	15,000

LETTER FROM THE BOARD

In arriving at the above proposed new caps, the Company has taken into account the following:

- (i) the historical amounts paid to Draka;
- (ii) the expected sales volume of optical fibre preforms and optical fibres manufactured with the licensed patents and patent applications from Draka based on the Group's existing production capacity; and
- (iii) the price of the optical fibre preforms and optical fibres in 2023 and 2024 which is expected to be of a similar level as 2022.

III. SALES AND PURCHASE TRANSACTIONS WITH YOFC SHANGHAI AND THE PRYSMIAN GROUP

A. Background

Each of the 2020-2022 YOFC Shanghai Sales Framework Agreement and the 2020-2022 YOFC Shanghai Purchase Framework Agreement with YOFC Shanghai, and the 2020-2022 Prysmian Sales Framework Agreement and the 2020-2022 Prysmian Purchase Framework Agreement with the Prysmian Group expired on December 31, 2022. As the Group intends to continue carrying out the transactions contemplated under the 2020-2022 YOFC Shanghai Framework Agreements and 2020-2022 Prysmian Framework Agreements in the ordinary and usual course of business of the Group, the Board announces that on December 16, 2022:

- (1) the Company and YOFC Shanghai entered into the 2023-2025 YOFC Shanghai Sales Framework Agreement on the same terms as the 2020-2022 YOFC Shanghai Sales Framework Agreement for a term of three years commencing on January 1, 2023 and expiring on December 31, 2025, to renew the 2020-2022 YOFC Shanghai Sales Framework Agreement;
- (2) the Company and YOFC Shanghai entered into the 2023-2025 YOFC Shanghai Purchase Framework Agreement on the same terms as the 2020-2022 YOFC Shanghai Purchase Framework Agreement for a term of three years commencing on January 1, 2023 and expiring on December 31, 2025, to renew the 2020-2022 YOFC Shanghai Purchase Framework Agreement;
- (3) the Company and Prysmian S.p.A. entered into the 2023-2025 Prysmian Sales Framework Agreement on the same terms as the 2020-2022 Prysmian Sales Framework Agreement for a term of three years commencing on January 1, 2023 and expiring on December 31, 2025, to renew the 2020-2022 Prysmian Sales Framework Agreement; and
- (4) the Company and Prysmian S.p.A. entered into the 2023-2025 Prysmian Purchase Framework Agreement on the same terms as the 2020-2022 Prysmian Purchase Framework Agreement for a term of three years commencing on January 1, 2023 and expiring on December 31, 2025, to renew the 2020-2022 Prysmian Purchase Framework Agreement.

LETTER FROM THE BOARD

The 2023-2025 YOFC Shanghai Framework Agreements and the 2023-2025 Prysmian Framework Agreements shall take retrospective effect from January 1, 2023 upon the passing of the relevant resolutions for approval of the 2023-2025 YOFC Shanghai Framework Agreements and the 2023-2025 Prysmian Framework Agreements at the EGM. The sale and purchase transactions with each of YOFC Shanghai and the Prysmian Group will be subject to the respective proposed annual caps for the three years ending December 31, 2023, 2024 and 2025.

B. Sales Transaction with YOFC Shanghai

1 Background

The Company sells raw materials, equipment and components to YOFC Shanghai, a subsidiary of the Company, on an ad hoc basis for meeting its temporary operational needs.

2 Summary of the terms of the 2023-2025 YOFC Shanghai Sales Framework Agreement

On December 20, 2019, the Company entered into the 2020-2022 YOFC Shanghai Sales Framework Agreement with YOFC Shanghai to regulate the sales transactions with YOFC Shanghai. The principal terms of the 2023-2025 YOFC Shanghai Sales Framework Agreement, which shall replace the 2020-2022 YOFC Shanghai Sales Framework Agreement with retrospective effect from January 1, 2023 upon the passing of the relevant resolution for approval of the 2023-2025 YOFC Shanghai Sales Framework Agreement at the EGM, are summarized below:

Date	December 16, 2022
Parties	The Company and YOFC Shanghai
Duration	The 2023-2025 YOFC Shanghai Sales Framework Agreement shall take retrospective effect from January 1, 2023 upon the passing of the relevant resolution for approval of the 2023-2025 YOFC Shanghai Sales Framework Agreement at the EGM and is valid until either (i) the expiry of a period of three years or (ii) the date on which Draka ceases to be a connected person of the Company, whichever comes earlier.

The parties to the agreement may negotiate to enter into a new agreement for a further term of three years within two months before the expiry of the three-year term of the agreement unless the agreement is terminated earlier due to Draka ceasing to be a connected person of the Company.

LETTER FROM THE BOARD

Nature of Transactions

Sale of optical fibres and optical fibre cables, raw materials, equipment and components in respect of the 2023-2025 YOFC Shanghai Sales Framework Agreement.

To implement the sales transactions contemplated under the 2023-2025 YOFC Shanghai Sales Framework Agreement, YOFC Shanghai will place specific purchase orders with the Group each time it sources from the Group optical fibres, optical fibre cables, raw materials, equipment and components. A purchase order typically contains terms on product specifications, quantity, payment date and method, delivery arrangements, liabilities and warranties. The marketing team of the Company will keep abreast of the pricing information made available to the public by the General Administration of Customs of the PRC from time to time. Such pricing information is usually updated on a monthly basis.

Pricing Basis

The pricing terms of each sales transaction shall be determined with reference to:

- (i) the prevailing tender price announced by the local telecommunications operators at the place where the relevant purchaser is located (the “**Local Tender Price**”); or
- (ii) the latest average export (from China) price made available to the public by the General Administration of Customs of the PRC (中華人民共和國海關總署), at the time of the relevant transaction (the “**Export Price**”),

where neither Local Tender Price nor the Export Price is available, the pricing terms shall be determined with reference to the prevailing tender price announced by the state-owned telecommunications operators in the PRC (the “**PRC Tender Price**”) and where none of the Local Tender Price, the Export Price or the PRC Tender Price is available or applicable, the price shall be determined on a fair and reasonable basis which is equivalent or comparable to those offered to or quoted by third parties independent of the Company for similar products.

LETTER FROM THE BOARD

3 *The existing annual caps and historical amounts*

The table below sets out the existing annual caps for the sales transactions contemplated under the 2020-2022 YOFC Shanghai Sales Framework Agreement during the periods indicated below:

	For the year ended December 31,		
	2020	2021	2022
	<i>(RMB' 000)</i>		
Existing annual caps for the sales transactions with YOFC Shanghai	350,000	350,000	350,000

The table below sets out the historical transaction amounts received by the Group from the sales transactions with YOFC Shanghai under the 2020-2022 YOFC Shanghai Sales Framework Agreement during the periods indicated below:

Seller	Purchaser	Goods	For the year ended		Eleven months
			December 31,		ended
			2020	2021	November 30,
			<i>(RMB' 000)</i>		2022
			<i>(audited)</i>		<i>(unaudited)</i>
The Group	YOFC Shanghai	Optical fibres, optical fibre cables, raw materials, equipment and components	193,846	186,298	231,445

4 *Proposed new annual caps*

The Board proposes that the below proposed annual caps be set for the sales transactions with YOFC Shanghai in respect of the years ending December 31, 2023, 2024 and 2025:

Seller	Purchaser	Goods	For the year ending December 31,		
			2023	2024	2025
			<i>(RMB' 000)</i>		
The Group	YOFC Shanghai	Optical fibres, optical fibre cables, raw materials, equipment and components	300,000	300,000	300,000

LETTER FROM THE BOARD

In arriving at the above proposed new annual caps, the Company has taken into account the following:

- (i) the historical sales transaction amounts with YOFC Shanghai;
- (ii) the projected sales of optical fibre and optical fibre cables to YOFC Shanghai. Optical fibre and cable remain the key infrastructures in telecom network, and the mass construction of 5G and broadband network is expected to continue to bring potential opportunities for optical fibre and cable industry. According to the proposal of the Development Planning of the Information and Telecommunications Industry under the 14th Five-Year Plan (《「十四五」信息通信行業發展規劃》) (the “**Proposal**”) issued by the Ministry of Industry and Information Technology of the People’s Republic of China, among others, (i) the accumulated investment in infrastructure for the information and telecommunications industry is expected to increase from RMB2.5 trillion in 2020 to RMB3.7 trillion in 2025, (ii) the number of 5G base stations covering every ten thousand people is expected to increase from five in 2020 to 26 in 2025, (iii) the popularity rate of 5G users from 15% in 2020 to 56% in 2025, and (iv) the number of gigabit broadband subscribers is expected to increase from 6.4 million in 2020 to 600 million in 2025, expecting an increase by nearly ten times. It is anticipated that the continued mass scale construction of 5G and broadband network may facilitate growth in demand in optical fibre and optical fibre cables.

Shareholders should note that the above monetary annual caps should not be construed as an assurance or forecast by the Company of the future revenues of the Group under the terms of the 2023-2025 YOFC Shanghai Sales Framework Agreement.

C. Purchase Transactions with YOFC Shanghai

1 Background

The Company purchases optical fibre, optical fibre cables and spare parts from YOFC Shanghai, a subsidiary of the Company, to meet any temporary operational needs.

2 Summary of the terms of the 2023-2025 YOFC Shanghai Purchase Framework Agreement

On December 20, 2019, the Company entered into the 2020-2022 YOFC Shanghai Purchase Framework Agreement with YOFC Shanghai to regulate the purchase transactions with YOFC Shanghai. The principal terms of the 2023-2025 YOFC Shanghai Purchase Framework Agreement, which shall replace the 2020-2022 YOFC Shanghai Purchase Framework Agreement with retrospective effect from January 1, 2023 upon the passing of the relevant resolution for approval of the 2023-2025 YOFC Shanghai Purchase Framework Agreement at the EGM, are summarized below:

LETTER FROM THE BOARD

Date	December 16, 2022
Parties	The Company and YOFC Shanghai
Duration	<p>The 2023-2025 YOFC Shanghai Purchase Framework Agreement shall take retrospective effect from January 1, 2023 upon the passing of the relevant resolution for approval of the 2023-2025 YOFC Shanghai Purchase Framework Agreement at the EGM and is valid until either (i) the expiry of a period of three years or (ii) the date on which Draka ceases to be a connected person of the Company, whichever comes earlier.</p> <p>The parties to the agreement may negotiate to enter into a new agreement for a further term of three years within two months before the expiry of the three-year term of the agreement unless the agreement is terminated earlier due to Draka ceasing to be a connected person of the Company.</p>
Nature of Transactions	<p>Purchases of optical fibres, optical fibre cables and spare parts in respect of the 2023-2025 YOFC Shanghai Purchase Framework Agreement.</p> <p>To implement the purchase transactions contemplated under the 2023-2025 YOFC Shanghai Purchase Framework Agreement, the Group will place specific purchase orders with YOFC Shanghai each time the Group purchases optical fibres, optical fibre cables and spare parts from YOFC Shanghai. A purchase order typically contains terms on product specifications, quantity, payment date and method, delivery arrangements, liabilities and warranties. The marketing team of the Company will keep abreast of the pricing information made available to the public by the General Administration of Customs of the PRC from time to time. Such pricing information is usually updated on a monthly basis.</p>
Pricing Basis	<p>The pricing terms of each purchase transaction shall be determined with reference to:</p> <p>(i) the latest average import (into China) price made available to the public by the General Administration of Customs of the PRC (中華人民共和國海關總署) at the time of the relevant transaction (the “Import Price”); or</p>

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- (ii) the prevailing tender price announced by the state-owned telecommunications operators in the PRC (the “**Purchase PRC Tender Price**”),

where none of the above is available or applicable, the price shall be determined on a fair and reasonable basis which is equivalent or comparable to those offered to or quoted by third parties independent of the Company for similar products. The Group shall solicit at least two other contemporaneous transactions with unrelated third parties for products in similar quantities and quality to determine if the price and terms offered by YOFC Shanghai are fair and reasonable and comparable to those offered by unrelated third parties.

3 *The existing annual caps and historical amounts*

The table below sets out the existing annual caps for the purchase transactions contemplated under the 2020-2022 YOFC Shanghai Purchase Framework Agreement during the periods indicated below:

	For the year ended December 31,		
	2020	2021	2022
	<i>(RMB' 000)</i>		
Existing annual caps for the purchase transactions with YOFC Shanghai	450,000	450,000	450,000

The table below sets out the historical transaction amounts paid by the Group for the purchase transactions with YOFC Shanghai under the 2020-2022 YOFC Shanghai Purchase Framework Agreement during the periods indicated below:

			For the year ended		Eleven months
Purchaser	Seller	Goods	December 31,	2021	ended
			2020	2021	November 30,
			<i>(RMB' 000)</i>		2022
			<i>(audited)</i>		<i>(unaudited)</i>
The Company	YOFC Shanghai	Optical fibres, optical fibre cables, raw materials, equipment and components	339,212	302,245	347,606

LETTER FROM THE BOARD

4 Proposed new annual caps

The Board proposes that the below proposed annual caps be set for the purchase transactions with YOFC Shanghai in respect of the years ending December 31, 2023, 2024 and 2025.

Purchaser	Seller	Goods	For the year ending December 31,		
			2023	2024	2025
			<i>(RMB' 000)</i>		
The Company	YOFC Shanghai	Optical fibres, optical fibre cables, raw materials, equipment and components	450,000	450,000	450,000

In arriving at the above proposed new annual caps, the Company has taken into account the following:

- (i) the historical purchase transaction amounts with YOFC Shanghai; and
- (ii) the projected increase in the purchase of optical fibre cables from YOFC Shanghai in line with the growth in demand for optical fibre cables resulting from the anticipated continual mass construction of 5G and broadband network.

D. Sales Transactions with the Prysmian Group

1 Background

Both the Company and the Prysmian Group manufacture and sell, optical fibres and optical fibre cables with various standard specifications in the ordinary and usual course of business. They also design and produce optical fibres and cables with wide varieties of specifications that are customized to customers' needs. In addition to the customized optical fibres and cables produced to meet customers' required specifications, each of the Company and the Prysmian Group has been manufacturing optical fibres and optical fibre cables with different specifications in line with their own production plans and business strategies. As such, the Prysmian Group, depending on the needs of its customers, its production plan and business strategy, would purchase from the Group the optical fibres and optical fibre cables for which it either does not manufacture itself or it does not have the required production capability for on-sale to its customers or for its own production needs. This would facilitate both parties in focusing their production capacity and resources on their more profitable work streams and in leveraging economies of scale in the production processes. Both parties would also benefit from the broadening of its portfolio of products through purchases of optical fibres and cables which would otherwise be produced by the counterparty in a more cost-efficient manner, and thereby would be able to continue to meet their respective customers' demand and maintain or even expand their customer base in their respective sales regions.

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2 *Summary of the terms of the 2023-2025 Prysmian Sales Framework Agreement*

On March 31, 2020, the Company entered into the 2020-2022 Prysmian Sales Framework Agreement with Prysmian S.p.A. to regulate the sales transactions with the Prysmian Group. The principal terms of the 2023-2025 Prysmian Sales Framework Agreement, which shall replace the 2020-2022 Prysmian Sales Framework Agreement with retrospective effect from January 1, 2023 upon the passing of the relevant resolution at the EGM, are summarized below:

Date	December 16, 2022
Parties	The Company and Prysmian S.p.A.
Duration	<p>The 2023-2025 Prysmian Sales Framework Agreement shall take retrospective effect from January 1, 2023 upon passing of the relevant resolution for approval of the 2023-2025 Prysmian Sales Framework Agreement at the EGM and is valid until either (i) the expiry of a period of three years or (ii) the date on which Prysmian ceases to be a connected person of the Company, whichever comes earlier.</p> <p>The parties to the agreement may negotiate to enter into a new agreement for a further term of three years within two months before the expiry of the three-year term of the agreement unless the agreement is terminated earlier due to Prysmian ceasing to be a connected person of the Company.</p>
Nature of Transactions	<p>Sale of optical fibres and optical fibre cables.</p> <p>To implement the sales transactions contemplated under the 2023-2025 Prysmian Sales Framework Agreement, a member of the Prysmian Group will place specific purchase orders with the Group each time it sources from the Group optical fibres and optical fibre cables. A purchase order typically contains terms on product specifications, quantity, payment date and method, delivery arrangements, liabilities and warranties. The marketing team of the Company will keep abreast of the pricing information made available to the public by the General Administration of Customs of the PRC from time to time. Such pricing information is usually updated on a monthly basis.</p>

LETTER FROM THE BOARD

Pricing Basis

The pricing terms of each sales transaction shall be determined with reference to:

- (i) the Local Tender Price; or
- (ii) the Export Price,

where neither Local Tender Price nor the Export Price is available, the pricing terms shall be determined with reference to the PRC Tender Price and where none of the Local Tender Price, the Export Price or the PRC Tender Price is available or applicable, the price shall be determined on a fair and reasonable basis which is equivalent or comparable to those offered to or quoted by third parties independent of the Company for similar products.

3 The existing annual caps and historical amounts

The table below sets out the existing annual caps for the sales transactions contemplated under the 2020-2022 Prysmian Sales Framework Agreement during the periods indicated below:

	For the year ended December 31,		
	2020	2021	2022
	<i>(RMB' 000)</i>		
Existing annual caps for the sales transactions with the Prysmian Group	200,000	200,000	200,000

The table below sets out the historical transaction amounts received by the Group from the sales transactions with the Prysmian Group under the 2020-2022 Prysmian Sales Framework Agreement during the periods indicated below:

Seller	Purchaser	Goods	For the year ended		Eleven months
			December 31,	2021	ended
			2020	2022	November 30,
			<i>(RMB' 000)</i>		2022
			<i>(audited)</i>		<i>(unaudited)</i>
The Group	Prysmian Group	Optical fibres and optical fibre cables	10,680	74,048	191,728

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4 Proposed new annual caps

The Board proposes that the below proposed annual caps be set for the sales transactions with the Prysmian Group in respect of the years ending December 31, 2023, 2024 and 2025:

Seller	Purchaser	Goods	For the year ending December 31,		
			2023	2024	2025
			<i>(RMB' 000)</i>		
The Group	Prysmian Group	Optical fibres and optical fibre cables	600,000	600,000	600,000

In arriving at the above proposed new annual caps, the Company has taken into account the following:

- (i) the historical sales transaction amounts with the Prysmian Group. Despite the slowing down of sales of optical fibre and optical fibre cables to the Prysmian Group during 2020, which was mainly due to the Prysmian Group's weakened demand for optical fibres and optical fibre cables as adversely impacted by the COVID-19 pandemic, since 2021, various business segments of the Prysmian Group have gradually been recovering and in turn, drove its demand for the optical fibres and optical fibre cables from the Group and led to the significant increase in sales amounts in 2021 and 2022.
- (ii) the projected demand for optical fibre cables from the Prysmian Group for the construction of 5G and broadband network in the North American and European markets in view of the recent gradual recovery from the COVID-19 pandemic and the business growth of the Prysmian Group, as well as their latest project pipelines on hand. As indicated by the Prysmian Group, the Prysmian Group has strong order backlog to be converted by 2024. Furthermore, the Group has entered into a supply agreement with the Prysmian Group to reflect the increase in purchase volume of optical fibres and optical fibre cables from the Group, which may lead to a total purchase amount of over RMB500 million, to support the business needs of the Prysmian Group. In addition, driven by the acceleration of 5G and broadband network deployment in developed countries and the construction demand for "fibre to the home" services and 4G networks in developing countries, the overseas market is expected to maintain sustainable growth momentum.

Shareholders should note that the above monetary annual caps should not be construed as an assurance or forecast by the Company of the future revenues of the Group under the terms of the 2023-2025 Prysmian Sales Framework Agreement.

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E. Purchase Transactions with the Prysmian Group

1 Background

Both the Company and the Prysmian Group manufacture and sell optical fibres and optical fibre cables with various standard specifications in the ordinary and usual course of business. Both of them are capable of producing different types of optical fibre preforms to cater to the production of different types of standard optical fibres and numerous specialty optical fibres. They also design and produce optical fibres and cables with wide varieties of specifications that are customized to customers' needs. In addition to the customized optical fibre preforms, optical fibres and cables produced to meet customers' required specifications, each of the Company and the Prysmian Group has been manufacturing optical fibre preforms, optical fibres and optical fibre cables with different specifications in line with their own production plans and business strategies. As such, the Group, depending on the needs of its customers, its production plan and business strategy, would purchase from the Prysmian Group the optical fibre preforms, optical fibres and optical fibre cables for which it either does not manufacture itself or it does not have the required production capability for on-sale to its customers or for its own production needs. This would facilitate both parties in focusing their production capacity and resources on their more profitable work streams and in leveraging economies of scale in the production processes. The Group would also benefit from the broadening of its portfolio of products through purchases of optical fibre preforms, optical fibres and cables which would otherwise be produced by the Prysmian Group in a more cost-efficient manner, and thereby would be able to continue to meet its customers' demand and maintain or even expand its customer base in its sales regions.

In addition, the Group purchases equipment parts from certain members of the Prysmian Group from time to time for its optical fibre production equipment.

2 Summary of the terms of the 2023-2025 Prysmian Purchase Framework Agreement

On March 31, 2020, the Company entered into the 2020-2022 Prysmian Purchase Framework Agreement with Prysmian S.p.A. to regulate the purchase transactions with the Prysmian Group. The principal terms of the 2023-2025 Prysmian Purchase Framework Agreement, which shall replace the 2020-2022 Prysmian Purchase Framework Agreement with retrospective effect from January 1, 2023 upon the passing of the relevant resolution for approval of the 2023-2025 Prysmian Purchase Framework Agreement at the EGM, are summarized below:

Date	December 16, 2022
Parties	The Company and Prysmian S.p.A.

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Duration

The 2023-2025 Prysmian Purchase Framework Agreement shall take retrospective effect from January 1, 2023 upon passing of the relevant resolution for approval of the 2023-2025 Prysmian Purchase Framework Agreement at the EGM and is valid until either (i) the expiry of a period of three years or (ii) the date on which Prysmian ceases to be a connected person of the Company, whichever comes earlier.

The parties to the agreement may negotiate to enter into a new agreement for a further term of three years within two months before the expiry of the three-year term of the agreement unless the agreement is terminated earlier due to Prysmian ceasing to be a connected person of the Company.

Nature of Transactions

Purchases of equipment parts for optical fibre production, optical fibre preforms, optical fibres and optical fibre cables.

To implement the purchase transactions contemplated under the 2023-2025 Prysmian Purchase Framework Agreement, the Group will place specific purchase orders with the Prysmian Group each time the Group purchases optical fibre preforms, optical fibres, optical fibre cables and equipment parts from the Prysmian Group. A purchase order typically contains terms on product specifications, quantity, payment date and method, delivery arrangements, liabilities and warranties. The marketing team of the Company will keep abreast of the pricing information made available to the public by the General Administration of Customs of the PRC from time to time. Such pricing information is usually updated on a monthly basis.

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Pricing Basis

The pricing terms of each purchase transaction shall be determined with reference to:

- (i) the Import Price; or
- (ii) the Purchase PRC Tender Price,

where none of the above is available or applicable, the price shall be determined on a fair and reasonable basis which is equivalent or comparable to those offered to or quoted by third parties independent of the Company for similar products. The Group shall solicit at least two other contemporaneous transactions with unrelated third parties for products in similar quantities and quality to determine if the price and terms offered by the Prysmian Group are fair and reasonable and comparable to those offered by unrelated third parties.

3 The existing annual caps and historical amounts

The table below sets out the existing annual caps for the purchase transactions contemplated under the 2020-2022 Prysmian Purchase Framework Agreement during the periods indicated below:

	For the year ended December 31,		
	2020	2021	2022
	<i>(RMB' 000)</i>		
Existing annual caps for the purchase transactions with the Prysmian Group	100,000	100,000	100,000

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The table below sets out the historical transaction amounts paid by the Group for the purchase transactions with the Prysmian Group under the 2020-2022 Prysmian Purchase Framework Agreement during the periods indicated below:

Purchaser	Seller	Goods	For the year ended		Eleven months
			December 31, 2020	2021	ended November 30, 2022
			<i>(RMB' 000)</i>		
			<i>(audited)</i>		<i>(unaudited)</i>
The Group	Prysmian Group	Equipment parts for optical fibre production, optical fibres, optical fibre cables and optical fibre preforms	16,107	2,432	1,593

4 Proposed new annual caps

The Board proposes that the below proposed annual caps be set for the purchase transactions with the Prysmian Group in respect of the years ending December 31, 2023, 2024 and 2025.

Purchaser	Seller	Goods	For the year ending December 31,		
			2023	2024	2025
			<i>(RMB' 000)</i>		
The Company	Prysmian Group	Equipment parts for optical fibre production, optical fibres, optical fibre cables and optical fibre preforms	100,000	100,000	100,000

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In arriving at the above proposed new annual caps, the Company has taken into account the following:

- (i) the historical purchase transaction amounts with the Prysmian Group, which were relatively low partly due to the production capacity of the Prysmian Group being adversely impacted by the COVID-19 pandemic, and also due to the Prysmian Group's need to satisfy the demand for its products from its customers in the United States and Europe. The Company considers the impact on the supply from the Prysmian Group to be temporary and the Group's demand for products from the Prysmian Group in the future will be met as the production capacity of the Prysmian Group resumes following the gradual recovery from the COVID-19 pandemic; and
- (ii) the demand of the Group to purchase specific type of optical fibre and high-end multimode optical fibre from the Prysmian Group. Given the development in the data center market and the corresponding enhancement in computing power, which requires application of such types of optical fibres are part of the development priorities according to the Proposal, the Group expects an increase in purchase of such types of optical fibres from the Prysmian Group; and
- (iii) the overseas business expansion of the Group in line with its development strategy. Considering the geographical proximity, transportation costs and overseas selling prices of optical fibres, the overseas production plant of the Group expects to purchase equipment, optical fibres and optical fibre cables from the Prysmian Group from time to time. Based on the projected production capacity of the Group's production plant in South Africa, it is expected that the Group may purchase approximately 1.1 million km optical fibres amounting to approximately RMB42 million annually from the Prysmian Group in the next three years. The Group expects to continue devoting resources to expand overseas in light of the Proposal which encourages PRC companies to strengthen their overseas development and construction of 5G and broadband network. The continued overseas business expansion is expected to further drive the demand for purchase of optical fibres from the Prysmian Group.

IV. SALES AND PURCHASE TRANSACTIONS WITH CHINA HUAXIN GROUP AND PURCHASE TRANSACTIONS WITH NOKIA SHANGHAI GROUP

A. Background

As the Group intends to continue carrying out the transactions contemplated under the 2022 China Huaxin Framework Agreement and the 2022 Nokia Shanghai Purchase Framework Agreement for the years ending December 31, 2023, 2024 and 2025, the Board announces that on December 16, 2022:

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- (1) the Company and China Huaxin entered into the 2023-2025 China Huaxin Framework Agreement which contains the same terms as the 2022 China Huaxin Framework Agreement for a term of three years commencing from January 1, 2023 and expiring on December 31, 2025, to renew the 2022 China Huaxin Framework Agreement; and
- (2) the Company and Nokia Shanghai entered into the 2023-2025 Nokia Shanghai Purchase Framework Agreement which contains the same terms as the 2022 Nokia Shanghai Purchase Framework Agreement for a term of three years commencing from January 1, 2023 and expiring on December 31, 2025, to renew the 2022 Nokia Shanghai Purchase Framework Agreement.

The 2023-2025 China Huaxin Framework Agreement and the 2023-2025 Nokia Shanghai Purchase Framework Agreement shall take retrospective effect from January 1, 2023 upon the passing of the relevant resolutions for approval of the 2023-2025 China Huaxin Framework Agreement and the 2023-2025 Nokia Shanghai Purchase Framework Agreement at the EGM. The sale and purchase transactions with China Huaxin Group under the 2023-2025 China Huaxin Framework Agreement and the purchase transactions with Nokia Shanghai Group under the 2023-2025 Nokia Shanghai Purchase Framework Agreement will be subject to the respective proposed annual caps for the three years ending December 31, 2023, 2024 and 2025.

B. Sales and purchase transactions with China Huaxin Group

1 Summary of the terms of the 2023-2025 China Huaxin Framework Agreement

On December 20, 2021 the Company entered into the 2022 China Huaxin Framework Agreement with China Huaxin to regulate the purchase transactions with China Huaxin Group. The principal terms of the 2023-2025 China Huaxin Framework Agreement, which shall replace the 2022 China Huaxin Framework Agreement with retrospective effect from January 1, 2023 upon the passing of the relevant resolution for approval of the 2023-2025 China Huaxin Framework Agreement at the EGM, are summarized below:

Date	December 16, 2022
Parties	The Company and China Huaxin
Duration	The 2023-2025 China Huaxin Framework Agreement shall take retrospective effect from January 1, 2023 upon passing of the relevant resolution for approval of the 2023-2025 China Huaxin Framework Agreement at the EGM and expire on December 31, 2025. The parties to the agreement may negotiate to enter into a new agreement before its expiry.

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**Nature of
Transactions**

- (1) *Sales of optical fibres, optical fibre cables, optical telecommunication products and provision of ancillary construction services*

To implement the transactions for sales and provision of ancillary construction services contemplated under the 2023-2025 China Huaxin Framework Agreement, China Huaxin Group will place specific purchase orders with the Group each time the Group sources from the Group optical fibres, optical fibre cables, optical telecommunication products and ancillary construction services. A purchase order typically contains terms on product specifications, quantity, scope of services, transaction amounts, payment arrangements, delivery arrangements, liabilities and warranties. The marketing team of the Company will keep abreast of the pricing information made available to the public by the General Administration of Customs of the PRC (中華人民共和國海關總署) from time to time. Such pricing information is usually updated on a monthly basis.

- (2) *Purchases of communication equipment products*

To implement the purchase transactions contemplated under the 2023-2025 China Huaxin Framework Agreement, the Group will place specific purchase orders with China Huaxin Group each time the Group purchases communication equipment products from China Huaxin Group. A purchase order typically contains terms on product specifications, quantity, transaction amounts, payment arrangements, delivery arrangements, liabilities and warranties. The marketing team of the Company will keep abreast of the pricing information made available to the public by the General Administration of Customs of the PRC from time to time. Such pricing information is usually updated on a monthly basis.

Pricing Basis

- (1) The pricing terms of each transaction for sales and provision of ancillary construction services shall be determined with reference to:
- (i) the Local Tender Price; or
 - (ii) the Export Price,

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where neither Local Tender Price nor Export Price is available, the price shall be determined on a fair and reasonable basis which is equivalent or comparable to those offered to or quoted by third parties independent of the Group for similar products or services.

(2) The pricing terms of each purchase transaction shall be determined with reference to:

- (i) the Import Price; or
- (ii) the Purchase PRC Tender Price,

where none of the above is available or applicable, the price shall be determined on a fair and reasonable basis which is equivalent or comparable to those offered to or quoted by third parties independent of the Company for similar products. The Group shall solicit at least two other contemporaneous transactions with unrelated third parties for products in similar quantities and quality to determine if the price and terms offered by China Huaxin Group are fair and reasonable and comparable to those offered by unrelated third parties.

2 *The existing annual caps and historical amounts*

Sales transactions with China Huaxin Group

The table below sets out the existing annual cap for the amount receivable by the Group from China Huaxin Group for sales transactions under the 2022 China Huaxin Framework Agreement for the year ended December 31, 2022:

	For the year ended December 31, 2021		2022
	<i>(RMB'000)</i>		
Existing annual caps for the sales transactions with China Huaxin Group	300,000		150,000

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The table below sets out the historical transaction amounts received by the Group from China Huaxin Group for sales transactions during the periods indicated below:

	For the year ended December 31, 2021	Eleven months ended November 30, 2022
	<i>(RMB' 000)</i>	
	<i>(audited)</i>	<i>(unaudited)</i>
Historical transaction amounts received by the Group for sales transactions with China Huaxin Group	89,900	26,317

Purchase transactions with China Huaxin Group

The table below sets out the existing annual cap for the amount payable by the Group to China Huaxin Group for purchase transactions under the 2022 China Huaxin Framework Agreement for the year ended December 31, 2022:

	For the year ended December 31, 2021	2022
	<i>(RMB'000)</i>	
Existing annual caps for the purchase transactions with China Huaxin Group	100,000	100,000

The table below sets out the historical transaction amounts paid by the Group to China Huaxin Group for purchase transactions during the periods indicated below:

	For the year ended December 31, 2021	Eleven months ended November 30, 2022
	<i>(RMB' 000)</i>	
	<i>(audited)</i>	<i>(unaudited)</i>
Historical transaction amounts paid by the Group for purchase transactions with China Huaxin Group	22,142	0

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3 Proposed new annual caps

Sales transactions with China Huaxin Group

The Board proposes that the below proposed annual caps be set for the amount receivable by the Group from China Huaxin Group for sales transactions under the 2023-2025 China Huaxin Framework Agreement for the years ending December 31, 2023, 2024 and 2025:

Seller	Purchaser	Goods	For the year ending December 31,		
			2023	2024	2025
			<i>(RMB' 000)</i>		
The Group	China Huaxin Group	Optical fibre, optical fibre cables, optical telecommunication products and provision of ancillary construction services	100,000	100,000	100,000

In arriving at the above proposed new annual caps, the Company has taken into account the following:

- (i) the historical sales transaction amounts with China Huaxin Group. As a result of the COVID-19 pandemic, the progress of the communication network construction projects undertaken by China Huaxin Group have been affected and delayed, which led to a decrease in sales of optical fibres, optical fibre cables, optical telecommunication products and demand for provision of ancillary construction services from the Group. The Company considers the impact on the demand for the Group's products and services from China Huaxin Group to be temporary and the progress of the projects are expected to pick up following the gradual recovery from the COVID-19 pandemic;
- (ii) the projected demand for optical fibre, optical fibre cables, optical telecommunication products and ancillary construction services from China Huaxin Group as indicated by China Huaxin Group to the Company with reference to the scope of work and timeline of the communication network construction projects to be undertaken by China Huaxin Group. The Group has also taken into consideration the impact of COVID-19 pandemic on the progress of the overseas communication network construction projects in the next three years and expects the progress to gradually pick up as the pandemic becomes under control. The Group is optimistic about the global economy and expects to see increase of investment in communication network construction projects post-pandemic. Other than the existing communication network construction projects, China Huaxin Group has indicated that they will continue to expand their presence and participate in communication network construction projects overseas, which will drive the demand for purchase of optical fibre, optical fibre cables, optical telecommunication products and provision of ancillary construction services from the Group; and

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- (iii) the price of the optical fibre and optical fibre cables in the next three years which is expected to be of a similar level as 2022.

Purchase transactions with China Huaxin Group

The Board proposes that the below proposed annual caps be set for the amount payable by the Group to China Huaxin Group for purchase transactions under the 2023-2025 China Huaxin Framework Agreement for the years ending December 31, 2023, 2024 and 2025:

Purchaser	Seller	Goods	For the year ending December 31,		
			2023	2024	2025
			<i>(RMB' 000)</i>		
The Group	China Huaxin Group	Communication equipment products	100,000	100,000	100,000

In arriving at the above proposed new annual caps, the Company has taken into account the following:

- (i) the historical purchase transaction amounts with China Huaxin Group. As a result of the COVID-19 pandemic, the progress of the communication network construction projects in the Philippines and Peru undertaken by the Group have been affected and delayed, which led to a decrease in purchase of communication equipment product from China Huaxin Group. The Company considers the impact on the demand for communication equipment product from China Huaxin Group to be temporary and the progress of the projects are expected to pick up following the gradual recovery from the COVID-19 pandemic; and
- (ii) the projected demand of the Group to purchase communication equipment products from China Huaxin Group to carry out work under the communication network construction projects in the Philippines and Peru etc.. The Group has also taken into consideration the impact of COVID-19 pandemic on the progress of the overseas communication network construction projects in the next three years and expects the progress to gradually pick up as the pandemic becomes under control. The Group is optimistic about the global economy and expects to see increase of investment in communication network construction projects post-pandemic. Other than the existing communication network construction projects in Peru and the Philippines, it is expected that the Group will continue to expand its presence and participate in communication network construction projects in Indonesia, Malaysia and Thailand, which will drive the demand for purchase of communication equipment products from China Huaxin Group.

Shareholders should note that the above monetary annual caps should not be construed as an assurance or forecast by the Company of the future revenues of the Group under the terms of the 2023-2025 China Huaxin Framework Agreement.

LETTER FROM THE BOARD

C. Purchase transactions with Nokia Shanghai Group

1 Summary of the terms of the 2023-2025 Nokia Shanghai Purchase Framework Agreement

On December 20, 2021 the Company entered into the 2022 Nokia Shanghai Purchase Framework Agreement with Nokia Shanghai to regulate the purchase transactions with Nokia Shanghai Group. The principal terms of the 2023-2025 Nokia Shanghai Purchase Framework Agreement, which shall replace the 2022 Nokia Shanghai Purchase Framework Agreement with retrospective effect from January 1, 2023 upon the passing of the relevant resolution for approval of the 2023-2025 Nokia Shanghai Purchase Framework Agreement at the EGM, are summarized below:

Date	December 16, 2022
Parties	The Company and Nokia Shanghai
Duration	The 2023-2025 Nokia Shanghai Purchase Framework Agreement shall take retrospective effect from January 1, 2023 upon passing of the relevant resolution for approval of the 2023-2025 Nokia Shanghai Purchase Framework Agreement at the EGM and expire on December 31, 2025. The parties to the agreement may negotiate to enter into a new agreement before its expiry.
Nature of Transactions	<u><i>Purchases of communication equipment products</i></u> To implement the purchase transactions contemplated under the 2023- 2025 Nokia Shanghai Purchase Framework Agreement, the Group will place specific purchase orders with Nokia Shanghai Group each time the Group purchases communication equipment products from Nokia Shanghai Group. A purchase order typically contains terms on product specifications, quantity, transaction amounts, payment arrangements, delivery arrangements, liabilities and warranties. The marketing team of the Company will keep abreast of the pricing information made available to the public by the General Administration of Customs of the PRC from time to time. Such pricing information is usually updated on a monthly basis.

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Pricing Basis The pricing terms of each purchase transaction shall be determined with reference to:

- (i) the Import Price; or
- (ii) the Purchase PRC Tender Price,

where none of the above is available or applicable, the price shall be determined on a fair and reasonable basis which is equivalent or comparable to those offered to or quoted by third parties independent of the Group for similar products. The Group shall solicit at least two other contemporaneous transactions with unrelated third parties for products in similar quantities and quality to determine if the price and terms offered by Nokia Shanghai Group are fair and reasonable and comparable to those offered by unrelated third parties.

2 *The existing annual caps and historical amounts*

The table below sets out the existing annual cap for the amount payable by the Group to Nokia Shanghai Group for purchase transactions under the 2022 Nokia Shanghai Purchase Framework Agreement for the year ended December 31, 2022:

	For the year ended December 31, 2021		2022
	<i>(RMB'000)</i>		
Existing annual caps for the purchase transactions with Nokia Shanghai Group	150,000		100,000

The table below sets out the historical transaction amounts paid by the Group to Nokia Shanghai Group for purchase transactions during the periods indicated below:

	For the year ended December 31, 2021	Eleven months ended November 30, 2022
	<i>(RMB' 000)</i>	<i>(RMB' 000)</i>
	<i>(audited)</i>	<i>(unaudited)</i>
Historical transaction amounts paid by the Group for purchase transactions with Nokia Shanghai Group	52,075	29,565

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3 Proposed new annual caps

The Board proposes that the below proposed annual caps be set for the amount payable by the Group to Nokia Shanghai Group for purchase transactions under the 2023-2025 Nokia Shanghai Purchase Framework Agreement for the years ending December 31, 2023, 2024 and 2025:

Purchaser	Seller	Goods	For the year ending		
			December 31,		
			2023	2024	2025
			<i>(RMB' 000)</i>		
The Group	Nokia Shanghai Group	Communication equipment products	100,000	100,000	100,000

In arriving at the above proposed new annual caps, the Company has taken into account the following:

- (i) the historical sales transaction amounts with Nokia Shanghai Group. As a result of the COVID-19 pandemic, the progress of the communication network construction projects in the Philippines and Peru undertaken by the Group have been affected and delayed, which led to a decrease in purchase of communication equipment product from Nokia Shanghai Group. The Company considers the impact on the demand for communication equipment product from Nokia Shanghai Group to be temporary and the progress of the projects are expected to pick up following the gradual recovery from the COVID-19 pandemic; and
- (ii) the projected demand of the Group to purchase communication equipment products from Nokia Shanghai Group to carry out work under the communication network construction projects in the Philippines and Peru etc.. The Group has also taken into consideration the impact of COVID-19 pandemic on the progress of the overseas communication network construction projects in the next three years and expects the progress to gradually pick up as the pandemic becomes under control. The Group is optimistic about the global economy and expects to see increase of investment in communication network construction projects post-pandemic. Other than the existing communication network construction projects in Peru and the Philippines, it is expected that the Group will continue to expand its presence and participate in communication network construction projects in Indonesia, Malaysia and Thailand, which will drive the demand for purchase of communication equipment products from Nokia Shanghai Group.

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V. INTERNAL CONTROL MEASURES

Sales transactions with YOFC Shanghai, the Prysmian Group and China Huaxin Group

The Local Tender Price and/or the PRC Tender Price will be fixed when the overseas telecommunications operators or the state-owned telecommunications operators in the PRC, as the case may be, have completed their bidding process and announced the bidding results. The bidding results including the tender price will be made available to all the bidders participating in the bidding process including the Company. The bidding process will only be carried out by the overseas telecommunications operators when they have the business needs and therefore the Local Tender Price will not be announced on a frequent basis. Each of the state-owned telecommunications operators in the PRC will carry out their respective central bidding processes once in a year to determine the volume of optical fibres and optical fibre cables to be purchased from each domestic manufacturer in the PRC. The PRC Tender Price will be announced to industry participants after completion of the central bidding process conducted by the state-owned telecommunications operators in the PRC.

A predetermined price range will be set by the chief sales officer of the Company in the first quarter every year by reference to the Local Tender Price and/or the PRC Tender Price. The price range will also be updated from time to time to incorporate the latest Export Price, which is updated by the General Administration of Customs of the PRC on a monthly basis. The price will be determined with reference to the highest and the lowest of the Local Tender Price, the PRC Tender Price and the latest Export Price, if available.

For export sales, the actual contract price will be determined with reference to the higher of the Local Tender Price or the Export Price if both the Local Tender Price and the Export Price are available for the specific type of optical fibres or optical fibre cables being sold. Before accepting an export purchase order, the salesman responsible for such order shall make sure that the actual contract price falls within the predetermined price range set by the chief sales officer. Where the price of any order is below the minimum value of the predetermined price range, it shall be approved by the chief sales officer and the president of the Company before such order is accepted.

For domestic sales, since the Local Tender Price and the Export Price are not relevant, the price will be determined with reference to the PRC Tender Price. The PRC Tender Price announced by the state-owned telecommunications operators is usually considered as a benchmark for the prices of optical fibres and optical fibre cables to be sold by domestic manufacturers. Before accepting a domestic purchase order, the salesman responsible for such order shall make sure that the actual contract price is at least equal to or higher than the PRC Tender Price.

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Purchase transactions with YOFC Shanghai, the Prysmian Group, China Huaxin Group and Nokia Shanghai Group

The Purchase PRC Tender Price will be fixed when the state-owned telecommunications operators in the PRC have completed their central bidding process and announced the bidding results. As the central bidding process will usually be carried out once a year, the Purchase PRC Tender Price will be announced to industry participants after completion of the central bidding process.

A predetermined price range will be set by the head of supply chain department of the Company at the beginning of each financial year with reference to the latest available Import Price and such range will be updated from time to time based on the latest information available from the General Administration of Customs of the PRC. The price will be determined within the range representing the highest and the lowest of the Import Price and the Purchase PRC Tender Price, if available. For import purchases, the price will be determined with reference to the Import Price. A predetermined price range will be set by the head of supply chain department of the Company at the beginning of each financial year with reference to the latest available Import Price and such range will be updated from time to time based on the latest information available from the General Administration of Customs of the PRC. Before placing a purchase order, the procurement staff responsible for such order shall make sure that the actual contract price shall fall within such predetermined price range. Where the price of any order is above the maximum value of the predetermined price range, it shall be approved by the head of supply chain department and the president of the Company before such order is placed.

For domestic purchases, the price will be determined with reference to the Purchase PRC Tender Price. The Purchase PRC Tender Price announced by the state-owned telecommunications operators is usually considered as a benchmark for the prices of optical fibres and optical fibre cables to be purchased from other domestic manufacturers. Before placing a domestic purchase order, the procurement staff responsible for such order shall make sure that actual contract price would not be higher than the Purchase PRC Tender Price.

VI. REASONS FOR AND BENEFITS OF THE TRANSACTIONS

A. The Optical Fibre Technology Cooperation Agreement

Optical fibres are made by first constructing a cylindrical high purity glass rod with a carefully controlled refractive index profile, known as an optical fibre preform. The optical fibre preform production process requires careful control over complex chemical processes with expensive equipment and many producers employing proprietary technologies in their production processes. Within the industry, OVD, VAD and PCVD are the three commonly used processes for the production of optical fibre preforms. The PCVD process is able to produce a wide variety of optical fibre preforms for a wide variety of optical fibres, including technologically advanced optical fibres for wider and specialty applications. Draka owns core patents of the PCVD production process and since Draka Holding N.V. became the then holder of the equity interest of the Company in 1994, the Company has been furnished with the key technologies in connection with the PCVD production process. While the Company has been continuously developing its proprietary technologies, Draka continues to be one of the Company's sources of technology. The cooperation between the parties is imperative for the Company to continue to use Draka's patents and technology to manufacture its products, and is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

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The Board has passed resolutions to approve, among others, the proposed caps for the continuing connected transactions between the Company and Draka under the Optical Fibre Technology Cooperation Agreement for the year ending December 31, 2023 and the period from January 1, 2024 to July 22, 2024 on December 16, 2022. None of the Directors has any material interest in the proposed caps for the aforementioned continuing connected transactions with Draka or is required to abstain from voting on the Board resolution in relation to the proposed caps for the aforementioned continuing connected transactions with Draka, except for Mr. Philippe Claude Vanhille and Mr. Pier Francesco Facchini, who abstained from voting on the Board resolution on December 16, 2022 in respect of the matter thereof. Mr. Philippe Claude Vanhille has been serving as the senior vice-president of telecom business of the Prysmian Group and is primarily responsible for its global telecom business; he is also an executive director of Draka and holds several positions in certain subsidiaries of Prysmian S.p.A.. Mr. Pier Francesco Facchini is currently an executive director, IT director and the chief financial officer of Prysmian S.p.A.; he also holds a number of positions in the subsidiaries of Prysmian S.p.A..

B. Sales and Purchase Transactions with YOFC Shanghai and the Prysmian Group

The Group is principally engaged in the manufacture and sales of optical fibre preforms, optical fibres and optical fibre cables. YOFC Shanghai is principally engaged in the production and sales of optical fibre cables. The Prysmian Group is a world leader in the energy and telecom cables and systems industry. The Company has benefited from working with YOFC Shanghai and the Prysmian Group, providing optical fibres, optical fibre cables, raw materials, equipment and components to YOFC Shanghai and the Prysmian Group, and purchasing optical fibres, optical fibre cables and spare parts from YOFC Shanghai and the Prysmian Group. The Group has established long-term relationship with YOFC Shanghai and the Prysmian Group. Such relationship is fair and reasonable, beneficial for the stable operation and business expansion of the Company and in the interest of the Company and the Shareholders as a whole.

The Board has passed resolutions to approve, among others, the continuing connected transactions with YOFC Shanghai as contemplated under the 2023-2025 YOFC Shanghai Framework Agreements and the proposed annual caps, and the continuing connected transactions with the Prysmian Group as contemplated under the 2023-2025 Prysmian Framework Agreements and the proposed annual caps on December 16, 2022. None of the Directors has any material interest in the aforementioned continuing connected transactions with YOFC Shanghai and the Prysmian Group or the respective proposed annual caps or is required to abstain from voting on the Board resolutions in relation to the aforementioned continuing connected transactions with YOFC Shanghai and the Prysmian Group and the respective proposed annual caps, except for Mr. Zhuang Dan (in case of the continuing connected transactions contemplated under the 2023-2025 YOFC Shanghai Framework Agreements and the respective proposed annual caps only), Mr. Philippe Claude Vanhille and Mr. Pier Francesco Facchini, who abstained from voting on the Board resolutions on December 16, 2022 in respect of the matters thereof. Mr. Zhuang Dan is the chairman and a director of YOFC Shanghai. Mr. Philippe Claude Vanhille has been serving as the senior vice-president of telecom business of the Prysmian Group and is primarily responsible for its global telecom

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business; he is also an executive director of Draka and holds several positions in certain subsidiaries of Prysmian S.p.A.. Mr. Pier Francesco Facchini is currently an executive director, IT director and the chief financial officer of Prysmian S.p.A.; he also holds a number of positions in the subsidiaries of Prysmian S.p.A..

C. Sales and purchase transactions with China Huaxin Group and purchase transactions with Nokia Shanghai Group

The Group is principally engaged in the manufacture and sales of optical fibre preforms, optical fibres and optical fibre cables. China Huaxin is an investment and operations platform for foreign cooperation and technological innovation in China's information industry. It focuses on the development and construction of smart cities, communication solutions, enterprise networks and cloud computing, system integration and software services. Nokia Shanghai is a leader in the communication network industry. It provides information and communication solutions, and focuses on the development of IP networks, optical networks and communication networks. China Huaxin and Nokia Shanghai have profound experience in their respective areas of services and solid financial standing. The Directors believe that China Huaxin and Nokia Shanghai will be reliable suppliers or customer of the Group and a strategic business relationship with China Huaxin and Nokia Shanghai will allow the realization of synergies and will be beneficial for the stable operation and business expansion of the Company and in the interest of the Company and the Shareholders as a whole.

The Board has passed resolutions to approve, among others, the continuing connected transactions with China Huaxin Group as contemplated under the 2023-2025 China Huaxin Framework Agreement and the proposed annual caps, and the continuing connected transactions with Nokia Shanghai Group as contemplated under the 2023-2025 Nokia Shanghai Purchase Framework Agreement and the proposed annual caps on December 16, 2022. None of the Directors has any material interest in the aforementioned continuing connected transactions or is required to abstain from voting on the Board resolutions in relation to the aforementioned continuing connected transactions with China Huaxin Group and Nokia Shanghai Group or the respective proposed annual caps, except for Mr. Ma Jie and Mr. Guo Tao, who abstained from voting on the Board resolutions on December 16, 2022 in respect of the matters thereof. Mr. Ma Jie is the director and general manager of China Huaxin. He also holds a number of positions in several subsidiaries of China Huaxin. Mr. Ma Jie is also a director of Nokia Shanghai. Mr. Guo Tao is the deputy general manager and secretary to the board of directors of China Huaxin, and holds non-senior management position in Nokia Shanghai.

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VII. INFORMATION ON THE COMPANY, DRAKA, YOFC SHANGHAI, PRYSMIAN, CHINA HUAXIN AND NOKIA SHANGHAI

The Company

The Company 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.

Draka

Draka is an indirect wholly-owned subsidiary of Prysmian S.p.A., which, together with its group companies, is a world leader in the energy and telecom cables and systems industry. As at the Latest Practicable Date, Draka holds approximately 23.73% of the total issued share capital of the Company.

YOFC Shanghai

YOFC Shanghai is principally engaged in the production and sales of optical fibre cables. As at the Latest Practicable Date, YOFC Shanghai is owned as to 75% by the Company and 25% by Draka.

The Prysmian Group

Prysmian S.p.A. is listed on the Milan Stock Exchange (Stock Code: PRYMY). The Prysmian Group is a world leader in the energy and telecom cables and systems industry. In the telecom sector, the Prysmian Group manufactures cables and accessories for the voice, video and data transmission industry, offering a complete range of optical fibre preforms, optical fibres, optical and copper cables and connectivity systems.

China Huaxin

China Huaxin is wholly-owned by China Poly Group Corporation Limited (中國保利集團有限公司), which is a large-scale central state-owned enterprise under the supervision and management of the State-owned Assets Supervision and Administration Commission of the State Council of China and has business in multiple fields, including international trade, real estate development, light industry research and development and engineering services, arts and crafts raw materials and products management services, culture and arts business, civilian explosive materials and blasting service and finance services. China Huaxin is an investment and operations platform for foreign cooperation and technological innovation in China's information industry. It focuses on the development and construction of smart cities, communication solutions, enterprise networks and cloud computing, system integration and software services. As at the Latest Practicable Date, China Huaxin holds approximately 23.73% of the total issued share capital of the Company.

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Nokia Shanghai

Nokia Shanghai provides information and communication solutions, and focuses on the development of IP networks, optical networks and communication networks. It is mainly engaged in the research, development, design, manufacturing, system integration and domestic and overseas sales of various information network and exchange network, mobile communication network, access network, rail traffic signal network, all kinds of information communication terminal, light and electricity transmission network, network management and applications, business and community information commutation network system, very-large-scale integration and other interest products.

As at the Latest Practicable Date, Nokia Shanghai is owned as to approximately 49.99% by China Huaxin and approximately 50.01% by Nokia Corporation indirectly through Alcatel-Lucent China Investment Co., Ltd., Lucent Technologies Investment Co., Ltd. and Alcatel-Lucent Participations Chine. Nokia Corporation is listed on the Nasdaq Helsinki Stock Exchange, the New York Stock Exchange and the Euronext Paris Stock Exchange. It is a leading global provider of mobile and fixed network infrastructure combining hardware, software and services, as well as advanced technologies and licensing that connect people and things. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, save as disclosed above, each of Nokia Corporation, Alcatel-Lucent China Investment Co., Ltd., Lucent Technologies Investment Co., Ltd. and Alcatel-Lucent Participations Chine is independent of and not connected with the Company and its connected persons.

VIII. LISTING RULES IMPLICATIONS

A. The Optical Fibre Technology Cooperation Agreement

As at the Latest Practicable Date, Draka holds approximately 23.73% of the total issued share capital of the Company and is therefore a substantial shareholder of the Company. Accordingly, the transactions with Draka under the Optical Fibre Technology Cooperation Agreement constitute continuing connected transactions of the Company under the Listing Rules.

Since the highest relevant percentage ratio under the Listing Rules in respect of the transactions with Draka under the Optical Fibre Technology Cooperation Agreement is expected to be more than 0.1% but less than 5.0% on an annual basis, the transactions will be exempt from the circular (including independent financial advice) and independent shareholders' approval requirements but will be subject to the annual reporting and announcement requirements under Chapter 14A of the Listing Rules.

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As the A Shares of the Company are listed on the Shanghai Stock Exchange, the Company will continue to be subject to and regulated by the Shanghai Listing Rules and other applicable laws and regulations in the PRC insofar as its A Shares remain listed. The requirements of the Listing Rules in relation to connected transactions are different from those of the Shanghai Listing Rules.

Although the proposed caps for the continuing connected transactions between the Company and Draka under the Optical Fibre Technology Cooperation Agreement for the year ending December 31, 2023 and the period from January 1, 2024 to July 22, 2024 are exempt from the independent shareholders' approval requirement under the Listing Rules, such transactions shall be subject to the approval by the Shareholders at the general meeting pursuant to the Shanghai Listing Rules. The Company will seek approval for the proposed caps for the continuing connected transactions between the Company and Draka under the Optical Fibre Technology Cooperation Agreement for the year ending December 31, 2023 and the period from January 1, 2024 to July 22, 2024 from the Shareholders at the EGM.

B. Sales and Purchase Transactions with YOFC Shanghai and the Prysmian Group

As at the Latest Practicable Date, Draka holds approximately 23.73% of the total issued share capital of the Company and is therefore a substantial shareholder of the Company. Draka is wholly-owned by Draka Holding B.V., which is in turn wholly-owned by Prysmian S.p.A.. Prysmian S.p.A. and its associates are therefore connected persons of the Company. YOFC Shanghai is a joint venture of the Company, which is owned as to 75% by the Company and 25% by Draka, and is therefore a connected person of the Company pursuant to Rule 14A.16(1) of the Listing Rules. Accordingly, the transactions between the Group on the one hand and the Prysmian Group and YOFC Shanghai, respectively, on the other constitute continuing connected transactions of the Company under the Listing Rules.

Since YOFC Shanghai and the Prysmian Group are connected persons of the Company by virtue of their relationship with Draka and the Group's transactions with these entities, being sale of goods, are of a similar nature, the sales transactions with YOFC Shanghai as contemplated under the 2023-2025 YOFC Shanghai Sales Framework Agreement and the sales transactions with the Prysmian Group as contemplated under the 2023-2025 Prysmian Sales Framework Agreement will be aggregated and treated as if they were one transaction pursuant to Rules 14A.82(1) and 14A.83 of the Listing Rules. Accordingly, the proposed annual caps in respect of the sales transactions with each of YOFC Shanghai and the Prysmian Group are aggregated, and such aggregate amount is used when calculating the relevant percentage ratios under Chapter 14A of the Listing Rules. The annual caps for the sales transactions with YOFC Shanghai and the Prysmian Group under the 2023-2025 YOFC Shanghai and Prysmian Sales Framework Agreements are as follows:

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Seller	Purchaser	Goods	For the year ending December 31,		
			2023	2024	2025
			<i>(RMB' 000)</i>		
The Group	YOFC Shanghai	Optical fibres, optical fibre cables, raw materials, equipment and components	300,000	300,000	300,000
	Prysmian Group	Optical fibres and optical fibre cables	600,000	600,000	600,000
		Sub-total	900,000	900,000	900,000

Since YOFC Shanghai and the Prysmian Group are connected persons of the Company by virtue of their relationship with Draka and the Group's transactions with these entities, being purchase of goods, are of a similar nature, the purchase transactions with YOFC Shanghai as contemplated under the 2023-2025 YOFC Shanghai Purchase Framework Agreement and the purchase transactions with the Prysmian Group as contemplated under the 2023-2025 Prysmian Purchase Framework Agreement will be aggregated and treated as if they were one transaction pursuant to Rules 14A.82(1) and 14A.83 of the Listing Rules. Accordingly, the proposed annual caps in respect of the purchase transactions with each of YOFC Shanghai and the Prysmian Group are aggregated, and such aggregate amount is used when calculating the relevant percentage ratios under Chapter 14A of the Listing Rules. The annual caps for the purchase transactions with YOFC Shanghai and the Prysmian Group under the 2023-2025 YOFC Shanghai and Prysmian Purchase Framework Agreements are as follows:

Purchaser	Seller	Goods	For the year ending December 31,		
			2023	2024	2025
			<i>(RMB' 000)</i>		
The Group	YOFC Shanghai	Optical fibres, optical fibre cables and spare parts	450,000	450,000	450,000

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Purchaser	Seller	Goods	For the year ending December 31,		
			2023	2024	2025
			<i>(RMB' 000)</i>		
	Prysmian Group	Equipment parts for optical fibre production, optical fibres, optical fibre cables and optical fibre preforms	100,000	100,000	100,000
		Sub-total	550,000	550,000	550,000

Since the highest relevant percentage ratio under the Listing Rules in respect of (1) the sales transactions with YOFC Shanghai and the Prysmian Group as contemplated under the 2023-2025 YOFC Shanghai and Prysmian Sales Framework Agreements, as aggregated, and (2) the purchase transactions with YOFC Shanghai and the Prysmian Group as contemplated under the 2023-2025 YOFC Shanghai and Prysmian Purchase Framework Agreements, as aggregated, in each case is expected to be more than 5.0% on an annual basis, the sales transactions with YOFC Shanghai and the Prysmian Group as respectively contemplated under the 2023-2025 YOFC Shanghai Sales Framework Agreement and the 2023-2025 Prysmian Sales Framework Agreement, and the purchase transactions with YOFC Shanghai and the Prysmian Group as respectively contemplated under the 2023-2025 YOFC Shanghai Purchase Framework Agreement and the 2023-2025 Prysmian Purchase Framework Agreement are respectively subject to the annual reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will seek approval for the sale and purchase transactions with YOFC Shanghai and the Prysmian Group as respectively contemplated under the 2023-2025 YOFC Shanghai and Prysmian Sales Framework Agreements and the 2023-2025 YOFC Shanghai and Prysmian Purchase Framework Agreements and the proposed annual caps applicable thereto from the Independent Shareholders at the EGM.

C. Sales and purchase transactions with China Huaxin Group and purchase transactions with Nokia Shanghai Group

As at the Latest Practicable Date, China Huaxin holds approximately 23.73% of the total issued share capital of the Company and is therefore a substantial shareholder of the Company. Nokia Shanghai is owned as to approximately 49.99% by China Huaxin and approximately 50.01% by independent third parties. Therefore, China Huaxin and Nokia Shanghai are connected persons of the Company pursuant to Rule 14A.07 of the Listing Rules. Accordingly,

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the transactions between the Group on the one hand and China Huaxin Group and Nokia Shanghai Group, respectively, on the other constitute continuing connected transactions of the Company under the Listing Rules.

Since Nokia Shanghai is an associate of China Huaxin and the Group's transactions with these entities, being purchase of goods, are of a similar nature, the purchase transactions with China Huaxin Group as contemplated under the 2023-2025 China Huaxin Framework Agreement and the purchase transactions with Nokia Shanghai Group as contemplated under the 2023-2025 Nokia Shanghai Purchase Framework Agreement, will be aggregated and treated as if they were one transaction pursuant to Rules 14A.82(1) and 14A.83 of the Listing Rules. Accordingly, the proposed annual caps in respect of the purchase transactions with each of China Huaxin Group and Nokia Shanghai Group are aggregated, and such aggregate amount in the sum of RMB200,000,000 for each of the year ending December 31, 2023, 2024 and 2025 is used when calculating the relevant percentage ratios under Chapter 14A of the Listing Rules. The proposed annual cap in respect of the sales transactions with China Huaxin Group as contemplated under the 2023-2025 China Huaxin Framework Agreement is RMB100,000,000 for each of the year ending December 31, 2023, 2024 and 2025.

As the highest relevant percentage ratio under the Listing Rules in respect of (1) the sales transactions with China Huaxin Group as contemplated under the 2023-2025 China Huaxin Framework Agreement and (2) the purchase transactions with China Huaxin Group as contemplated under the 2023-2025 China Huaxin Framework Agreement and with Nokia Shanghai Group as contemplated under the 2023-2025 Nokia Shanghai Purchase Framework Agreement, as aggregated, in each case is expected to be more than 0.1% but less than 5.0% on an annual basis, the transactions contemplated thereunder will be exempt from the circular (including independent financial advice) and independent shareholders' approval requirements, but will be subject to the annual reporting and announcement requirements under Chapter 14A of the Listing Rules.

Although (1) the sales and purchase transactions with China Huaxin Group as contemplated under the 2023-2025 China Huaxin Framework Agreement and the proposed annual caps applicable thereto, and (2) the purchase transactions with Nokia Shanghai Group as contemplated under the 2023-2025 Nokia Shanghai Purchase Framework Agreement and the proposed annual caps applicable thereto are exempt from the independent shareholders' approval requirement under the Listing Rules, such transactions shall be subject to the approval by the Shareholders at the general meeting pursuant to the Shanghai Listing Rules. The Company will seek approval for the sales and purchase transactions with China Huaxin Group as contemplated under the 2023-2025 China Huaxin Framework Agreement, and the purchase transactions with Nokia Shanghai Group as contemplated under the 2023-2025 Nokia Shanghai Purchase Framework Agreement and the respective proposed annual caps from the Shareholders at the EGM.

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IX. PROPOSAL ON THE ESTIMATES OF THE 2023 TO 2025 ANNUAL TRANSACTION AMOUNTS FOR THE RELATED PARTY TRANSACTIONS TO BE CARRIED OUT IN THE ORDINARY AND USUAL COURSE OF BUSINESS

Pursuant to the Company Law of the People's Republic of China, the Accounting Standards for Business Enterprises and other applicable PRC laws and regulations, the Company has prepared an estimate on the 2023 to 2025 annual transaction amounts for the related party transactions to be carried out in the ordinary and usual course of business. The transactions listed in the estimates did not and will not constitute notifiable transactions or connected transactions of the Company under Chapter 14 and Chapter 14A of the Listing Rules.

Details of the estimates of the 2023 to 2025 annual transaction amounts for the related party transactions to be carried out in the ordinary and usual course of business are set out in Appendix I to this circular.

It is proposed that the Board or such persons as authorized by the Board, be authorized by the general meeting to enter into specific business agreements with the related parties from time to time during the years 2023 to 2025 within the estimated limits on the transaction amounts, for each transaction contemplated under this proposal in the ordinary and usual course of business.

In accordance with the applicable PRC laws and regulations and the Articles of Association, Mr. Zhuang Dan, as a Director, has abstained from voting on the relevant Board resolutions by virtue of his positions held in the counterparties to the transactions. This proposal has been approved by the Board, and shall be submitted to the EGM for consideration and approval by way of an ordinary resolution pursuant to Article 64(6) of the Articles of Association.

X. EGM

A notice convening the EGM to be held at Multi-Media Meeting Room, 201# Building, No. 9 Guanggu Avenue, East Lake High-tech Development Zone, Wuhan, Hubei Province, PRC on Friday, February 17, 2023 at 2:00 p.m. is set out on pages 95 to 98 of this circular. At the EGM, ordinary resolutions will be proposed to approve (i) the proposed caps for the continuing connected transactions between the Company and Draka under the Optical Fibre Technology Cooperation Agreement for the year ending December 31, 2023 and the period from January 1, 2024 to July 22, 2024; (ii) the sale and purchase transactions with YOFC Shanghai as contemplated under the 2023-2025 YOFC Shanghai Framework Agreements and the respective proposed annual caps; (iii) the sale and purchase transactions with the Prysmian Group as contemplated under the 2023-2025 Prysmian Framework Agreements and the respective proposed annual caps; (iv) the sale and purchase transactions with China Huaxin Group as contemplated under the 2023-2025 China Huaxin Framework Agreement and the respective proposed annual caps; (v) the purchase transactions with Nokia Shanghai Group as

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contemplated under the 2023-2025 Nokia Shanghai Purchase Framework Agreement and the proposed annual caps; and (vi) the proposal on the estimates of the 2023 to 2025 annual transaction amounts for the related party transactions to be carried out in the ordinary and usual course of business.

In order to determine the holders of H Shares who are entitled to attend the EGM, the H Shares register of members of the Company will be closed from Tuesday, February 14, 2023 to Friday, February 17, 2023 (both days inclusive), during which period no transfer of H Shares will be effected. Holders of H Shares who wish to attend the EGM but have not registered the transfer documents are required to deposit the transfer document together with the relevant share certificates at the H Share Registrar of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, at or before 4:30 p.m. on Monday, February 13, 2023. Holders of H Shares whose names appear on the H Shares register of members of the Company at the close of business on Friday, February 17, 2023 are entitled to attend the EGM.

A proxy form of the EGM is enclosed herewith. If you intend to appoint a proxy to attend the EGM, you are required to complete and return the accompanying proxy form in accordance with the instructions printed thereon. The proxy forms should be returned by holder of H Shares to the Company's H Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by hand or by post not less than 24 hours before the time appointed for holding the EGM or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or at any adjourned meeting should you so wish, but in such event the instrument appointing a proxy shall be deemed to be revoked.

LETTER FROM THE BOARD

XI. VOTING BY POLL

Under the Listing rules, (i) the sale and purchase transactions with YOFC Shanghai as respectively contemplated under the 2023-2025 YOFC Shanghai Sales Framework Agreement and the 2023-2025 YOFC Shanghai Purchase Framework Agreement and the respective proposed annual caps, and (ii) the sale and purchase transactions with the Prysmian Group as respectively contemplated under the 2023-2025 Prysmian Sales Framework Agreement and the 2023-2025 Prysmian Purchase Framework Agreement and the respective proposed annual caps, are subject to the approval of the Independent Shareholders.

In accordance with the Listing Rules, Draka and its associates will be required to abstain from voting at the EGM on the ordinary resolutions to approve the proposed caps for the continuing connected transactions between the Company and Draka under the Optical Fibre Technology Cooperation Agreement for the year ending December 31, 2023 and the period from January 1, 2024 to July 22, 2024, the sale and purchase transactions with YOFC Shanghai as respectively contemplated under the 2023-2025 YOFC Shanghai Sales Framework Agreement and the 2023-2025 YOFC Shanghai Purchase Framework Agreement and the respective proposed annual caps, and the sale and purchase transactions with the Prysmian Group as respectively contemplated under the 2023-2025 Prysmian Sales Framework Agreement and the 2023-2025 Prysmian Purchase Framework Agreement and the respective proposed annual caps. China Huaxin and its associates will be required to abstain from voting at the EGM on the ordinary resolutions to approve the sales transactions with China Huaxin Group as contemplated under the 2023-2025 China Huaxin Framework Agreement and the proposed annual caps, and the purchase transactions with Nokia Shanghai Group as contemplated under the 2023-2025 Nokia Shanghai Purchase Framework Agreement and the proposed annual caps.

Pursuant to Rule 13.39(4) of the Listing Rules, all votes at the EGM will be taken by poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

XII. RECOMMENDATION

Altus 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 under the 2023-2025 YOFC Shanghai Sales Framework Agreement and the 2023-2025 YOFC Shanghai Purchase Framework Agreement, and the respective proposed annual caps for the transactions under the 2023-2025 Prysmian Sales Framework Agreement and the 2023-2025 Prysmian Purchase Framework Agreement. Altus 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 that the respective proposed annual caps for the transactions under the 2023-2025 YOFC Shanghai Framework Agreements and the 2023-2025 Prysmian Framework Agreements are fair and reasonable and in the interests of the Company

LETTER FROM THE BOARD

and its Shareholders as a whole. Accordingly, Altus Capital advises the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favor of the ordinary resolutions to be proposed at the EGM to approve the Continuing Connected Transactions, the respective proposed annual caps for the transactions under the 2023-2025 YOFC Shanghai Sales Framework Agreement and the 2023-2025 YOFC Shanghai Purchase Framework Agreement, and the respective proposed annual caps for the transactions under the 2023-2025 Prysmian Sales Framework Agreement and the 2023-2025 Prysmian Purchase Framework Agreement. The text of the letter from Altus Capital containing its advice and the principal factors and reasons it has taken into consideration in arriving at its advice is set out on pages 54 to 80 of this circular.

The Independent Board Committee, having taken into account the advice of Altus 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, are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and its Shareholders as a whole, and that the respective proposed annual caps for the transactions under the 2023-2025 YOFC Shanghai Sales Framework Agreement and the 2023-2025 YOFC Shanghai Purchase Framework Agreement, and the respective proposed annual caps for the transactions under the 2023-2025 Prysmian Sales Framework Agreement and the 2023-2025 Prysmian Purchase Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and its Shareholders as a whole. Accordingly, the Independent Board Committee recommends that Independent Shareholders vote in favor of the ordinary resolutions to be proposed at the EGM to approve the Continuing Connected Transactions, the respective proposed annual caps for the transactions under the 2023-2025 YOFC Shanghai Sales Framework Agreement and the 2023-2025 YOFC Shanghai Purchase Framework Agreement, and the respective proposed annual caps for the transactions under the 2023-2025 Prysmian Sales Framework Agreement and the 2023-2025 Prysmian Purchase Framework Agreement. The text of the letter from the Independent Board Committee is set out on pages 52 to 53 of this circular.

The Directors (excluding Mr. Philippe Claude Vanhille and Mr. Pier Francesco Facchini who have abstained from voting) are of the view that the proposed annual caps for the continuing connected transactions contemplated under the Optical Fibre Technology Cooperation Agreement for the year ending December 31, 2023 and the period from January 1, 2024 to July 22, 2024 are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and accordingly recommend the Shareholders to vote in favor of the relevant ordinary resolutions to be proposed at the EGM.

The Directors (excluding Mr. Zhuang Dan (in case of the continuing connected transactions contemplated under the 2023-2025 YOFC Shanghai Framework Agreements and the respective proposed annual caps only), Mr. Philippe Claude Vanhille and Mr. Pier Francesco Facchini who have abstained from voting) are of the view that the 2023-2025 YOFC Shanghai Framework Agreements and the 2023-2025 Prysmian Framework Agreements, which have been and will be entered into in the ordinary and usual course of business of the Group, are on normal commercial terms, and the terms of the 2023-2025 YOFC Shanghai Framework

LETTER FROM THE BOARD

Agreements and the 2023-2025 Prysmian Framework Agreements as well as the proposed annual caps for the continuing connected transactions contemplated thereunder for the three years ending December 31, 2023, 2024 and 2025 are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and accordingly recommend the Shareholders to vote in favor of the relevant ordinary resolutions to be proposed at the EGM.

The Directors (excluding Mr. Ma Jie and Mr. Guo Tao) are of the view that the aforementioned continuing connected transactions contemplated under the 2023-2025 China Huaxin Framework Agreement and the 2023-2025 Nokia Shanghai Purchase Framework Agreement, which will be 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 terms of the 2023-2025 China Huaxin Framework Agreement and the 2023-2025 Nokia Shanghai Purchase Framework Agreement as well as the proposed annual caps for the continuing connected transactions contemplated thereunder for the three years ending December 31, 2023, 2024 and 2025 are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and accordingly recommend the Shareholders to vote in favor of the relevant ordinary resolutions to be proposed at the EGM.

The Directors are of the view that the proposed estimates of the 2023 to 2025 annual transaction amounts for the related party transactions to be carried out in the ordinary and usual course of business are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and accordingly recommend the Shareholders to vote in favor of the relevant ordinary resolutions to be proposed at the EGM.

XIII. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on pages 52 to 53 of this circular, and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions and the proposed annual caps set out on pages 54 to 80 of this circular.

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully

For and on behalf 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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

January 20, 2023

To the Independent Shareholders

Dear Sir or Madam,

We refer to the circular of the Company to the Shareholders dated January 20, 2023 (the “**Circular**”) of which this letter forms part. Terms used herein shall have the same meanings as given to them in the Circular unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders on whether the terms of the 2023-2025 YOFC Shanghai Sales Framework Agreement, the 2023-2025 YOFC Shanghai Purchase Framework Agreement, the 2023-2025 Prysmian Sales Framework Agreement and the 2023-2025 Prysmian Purchase Framework Agreement (together the “**2023-2025 Framework Agreements**”), and the transactions contemplated thereunder (including the respective proposed annual caps for those transactions) are on normal commercial terms, fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

Altus Capital has been appointed by the Company as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect.

We wish to draw your attention to the letter from the Board set out on pages 7 to 51 of the Circular which contains, among others, information on the aforementioned Continuing Connected Transactions and the respective proposed annual caps for such transactions, as well as the letter from the Independent Financial Adviser set out on pages 54 to 80 of the Circular which contains its advice and recommendations in respect of the Continuing Connected Transactions thereof and the principal factors and reasons taken into consideration for its advice and recommendations.

Having taken into account the advice of the Independent Financial Adviser, we consider that the 2023-2025 Framework Agreements have been entered into in the ordinary and usual course of business of the Group, are on normal commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Shareholders as a whole, and that the respective proposed annual caps for the transactions thereunder are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and its Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favor of the relevant ordinary resolutions to be proposed at the EGM.

Yours faithfully,
Independent Board Committee

Mr. Bingsheng Teng

*Independent
non-executive
Director*

Mr. Liu Deming

*Independent
non-executive
Director*

Mr. Song Wei

*Independent
non-executive
Director*

Dr. Wong Tin Yau, Kelvin

*Independent
non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Altus Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2023-2025 YOFC Shanghai Framework Agreements, the 2023-2025 Prysmian Framework Agreements and the transactions contemplated thereunder (including the proposed annual caps), which have been prepared for the purpose of incorporation in the Circular.

ALTUS

Altus Capital Limited
21 Wing Wo Street,
Central, Hong Kong

20 January 2023

To the Independent Board Committee and the Independent Shareholders

Yangtze Optical Fibre and Cable Joint Stock Limited Company*

長飛光纖光纜股份有限公司

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

Dear Sirs and Madams,

RENEWAL OF THE CONTINUING CONNECTED TRANSACTIONS WITH YOFC SHANGHAI AND THE PRYSMIAN GROUP

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 2023-2025 YOFC Shanghai Framework Agreements, the 2023-2025 Prysmian Framework Agreements and the transactions contemplated thereunder (including the proposed annual caps). Details of which are set out in the “Letter from the Board” contained in the circular dated 20 January 2023 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the circulars of the Company dated 31 December 2019 and 18 May 2020 in relation to, inter alia, the continuing connected transactions between the Group on the one hand and YOFC Shanghai and the Prysmian Group respectively, on the other. On 20 December 2019, the Company entered into the 2020-2022 YOFC Shanghai Sales Framework Agreement and the 2020-2022 YOFC Shanghai Purchase Framework Agreement with YOFC Shanghai to regulate the sales and purchase transactions with YOFC Shanghai. On 31 March 2020, the Company entered into the 2020-2022 Prysmian Sales Framework Agreement and the 2020-2022 Prysmian Purchase Framework Agreement with Prysmian S.p.A. to regulate the sales and purchase transactions with the Prysmian Group.

* For identification purpose only

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Each of the 2020-2022 YOFC Shanghai Sales Framework Agreement and the 2020-2022 YOFC Shanghai Purchase Framework Agreement with YOFC Shanghai, and the 2020-2022 Prysmian Sales Framework Agreement and the 2020-2022 Prysmian Purchase Framework Agreement with the Prysmian S.p.A. has expired on 31 December 2022. As the Group intends to continue carrying out the transactions contemplated under the 2020-2022 YOFC Shanghai Framework Agreements and the 2020-2022 Prysmian Framework Agreements in the ordinary and usual course of business of the Group, on 16 December 2022, the Company and (i) YOFC Shanghai entered into the 2023-2025 YOFC Shanghai Sales Framework Agreement and the 2023-2025 YOFC Shanghai Purchase Framework Agreement; and (ii) Prysmian S.p.A. entered into the 2023-2025 Prysmian Sales Framework Agreement and the 2023-2025 Prysmian Purchase Framework Agreement, which shall take retrospective effect from 1 January 2023 upon the passing of the relevant resolutions to be proposed at the EGM and expiring on 31 December 2025. The sales and purchase transactions with each of YOFC Shanghai and the Prysmian Group will be subject to the respective proposed annual caps for the three years ending 31 December 2023, 2024 and 2025.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Draka held approximately 23.73% of the total issued share capital of the Company and is therefore a substantial shareholder of the Company. Draka is wholly-owned by Draka Holding B.V., which is in turn wholly-owned by Prysmian S.p.A. Prysmian S.p.A. and its associates are therefore connected persons of the Company. YOFC Shanghai is a joint venture of the Company, which is owned as to 75% by the Company and 25% by Draka, and is therefore a connected person of the Company pursuant to Rule 14A.16(1) of the Listing Rules. Accordingly, the transactions between the Group on the one hand and the Prysmian Group and YOFC Shanghai respectively, on the other constitute continuing connected transactions of the Company under the Listing Rules.

Since YOFC Shanghai and the Prysmian Group are connected persons of the Company by virtue of their relationship with Draka and the Group's transactions with these entities, being sale of goods, are of a similar nature, the sales transactions with YOFC Shanghai as contemplated under the 2023-2025 YOFC Shanghai Sales Framework Agreement and the sales transactions with the Prysmian Group as contemplated under the 2023-2025 Prysmian Sales Framework Agreement will be aggregated and treated as if they were one transaction pursuant to Rules 14A.82(1) and 14A.83 of the Listing Rules. Accordingly, the proposed annual caps in respect of the sales transactions with each of YOFC Shanghai and the Prysmian Group are aggregated, and such aggregate amount is used when calculating the relevant percentage ratios under Chapter 14A of the Listing Rules.

Similarly, the purchase transactions with YOFC Shanghai as contemplated under the 2023-2025 YOFC Shanghai Purchase Framework Agreement and the purchase transactions with the Prysmian Group as contemplated under the 2023-2025 Prysmian Purchase Framework Agreement will be aggregated and treated as if they were one transaction pursuant to Rules 14A.82(1) and 14A.83 of the Listing Rules. Accordingly, the proposed annual caps in respect of the purchase transactions with each of YOFC Shanghai and the Prysmian Group are aggregated, and such aggregate amount is used when calculating the relevant percentage ratios under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Since the highest relevant percentage ratio under the Listing Rules in respect of (1) the sales transactions with YOFC Shanghai and the Prysmian Group as contemplated under the 2023-2025 YOFC Shanghai and Prysmian Sales Framework Agreements, as aggregated; and (2) the purchase transactions with YOFC Shanghai and the Prysmian Group as contemplated under the 2023-2025 YOFC Shanghai and Prysmian Purchase Framework Agreements, as aggregated, in each case is expected to be more than 5.0% on an annual basis, the sales transactions with YOFC Shanghai and the Prysmian Group as respectively contemplated under the 2023-2025 YOFC Shanghai Sales Framework Agreement and the 2023-2025 Prysmian Sales Framework Agreement, and the purchase transactions with YOFC Shanghai and the Prysmian Group as respectively contemplated under the 2023-2025 YOFC Shanghai Purchase Framework Agreement and the 2023-2025 Prysmian Purchase Framework Agreement are respectively subject to the annual reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In accordance with the Listing Rules, Draka and its associates will be required to abstain from voting at the EGM on the ordinary resolutions to approve the sales and purchase transactions with YOFC Shanghai and the Prysmian Group as respectively contemplated under the 2023-2025 YOFC Shanghai and Prysmian Sales Framework Agreements and the 2023-2025 YOFC Shanghai and Prysmian Purchase Framework Agreements and the respective proposed annual caps.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Bingsheng Teng, Mr. Liu Deming, Mr. Song Wei and Dr. Wong Tin Yau, Kelvin, has been formed to advise the Independent Shareholders as to (i) whether the 2023-2025 YOFC Shanghai Framework Agreements, the 2023-2025 Prysmian Framework Agreements and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; (ii) whether the terms of the 2023-2025 YOFC Shanghai Framework Agreements, the 2023-2025 Prysmian Framework Agreements and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable; (iii) whether the proposed annual caps are fair and reasonable; and (iv) how the Independent Shareholders should vote in respect of the resolutions to be proposed at the EGM after taking into account the recommendation from the Independent Financial Adviser.

THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the 2023-2025 YOFC Shanghai Framework Agreements, the 2023-2025 Prysmian Framework Agreements and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; (ii) whether the terms of the 2023-2025 YOFC Shanghai Framework Agreements, the 2023-2025 Prysmian Framework Agreements and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable; (iii) whether the proposed annual caps are fair and reasonable; and (iv) how the Independent Shareholders should vote in respect of the resolutions to be proposed at the EGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have not acted as an independent financial adviser or financial adviser for the Company's other transactions in the last two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that the remuneration for our engagement to opine on the 2023-2025 YOFC Shanghai Framework Agreements, the 2023-2025 Prysmian Framework Agreements and the transactions contemplated thereunder (including the proposed annual caps) is at market level and not conditional upon successful passing of the resolutions to be proposed at the EGM, and that our engagement is on normal commercial terms, we are independent of the Company.

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others, (i) the 2023-2025 YOFC Shanghai Framework Agreements; (ii) the 2023-2025 Prysmian Framework Agreements; (iii) the 2020-2022 YOFC Shanghai Framework Agreements; (iv) the 2020-2022 Prysmian Framework Agreements; (v) the annual report of the Company for the year ended 31 December 2021 (the "**2021 Annual Report**"); (vi) the interim report of the Company for the six months ended 30 June 2022 (the "**2022 Interim Report**"); (vii) the annual report of the Prysmian Group for the year ended 31 December 2021 (the "**Prysmian Group 2021 Annual Report**"); (viii) the third quarter financial report of the Prysmian Group for the nine months ended 30 September 2022 (the "**Prysmian Group 3Q Financial Report**"); and (ix) other information as set out in the Circular.

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the "**Management**"). We have assumed that all the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and will continue to be so up to the date of the EGM. The Directors collectively and individually accept full responsibility, including particulars given in compliance with the Listing Rules for the purpose of giving information with regards 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 facts the omission of which would make any statement in the Circular misleading.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading.

We consider that we have been provided with, and have reviewed, sufficient information to reach an informed view and provide a reasonable basis for our opinion. We have not, however, conducted an independent investigation into the business, financial conditions and affairs or future prospects of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Information of the Company, Draka, YOFC Shanghai and the Prysmian Group

The Company

The Company 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.

Draka

Draka is an indirect wholly-owned subsidiary of Prysmian S.p.A., which, together with its group companies, is a world leader in the energy and telecom cables and systems industry. As at the Latest Practicable Date, Draka held approximately 23.73% of the total issued share capital of the Company.

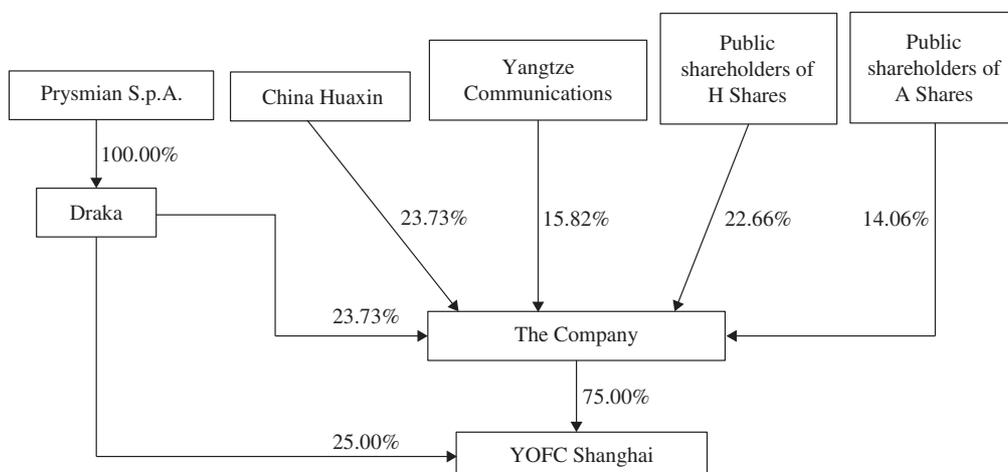
YOFC Shanghai

YOFC Shanghai is principally engaged in the production and sales of optical fibre cables. As at the Latest Practicable Date, YOFC Shanghai was owned as to 75% by the Company and 25% by Draka respectively.

The Prysmian Group

Prysmian S.p.A. is listed on the Milan Stock Exchange (Stock Code: PRYMY). The Prysmian Group is a world leader in the energy and telecom cables and systems industry. In the telecom sector, the Prysmian Group manufactures cables and accessories for the voice, video and data transmission industry, offering a complete range of optical fibre preforms, optical fibres, optical and copper cables and connectivity systems.

Set out below is the simplified shareholding relationship of the Company, Draka, YOFC Shanghai and Prysmian S.p.A..



2. Sales and purchase transactions with YOFC Shanghai and the Prysmian Group

2.1. Reasons and benefit of entering into the sales and purchase transactions with YOFC Shanghai and the Prysmian Group

Taking into account the principal activities of the Group as described in the paragraph headed “1. Information of the Company, Draka, YOFC Shanghai and the Prysmian Group” above, we believe that it is in the ordinary and usual course of business of the Group to (i) sell optical fibres, optical fibre cables, raw materials, equipment and components to YOFC Shanghai, and purchase optical fibres, optical fibre cables and spare parts from YOFC Shanghai; and (ii) sell optical fibres and optical fibre cables to the Prysmian Group, and purchase equipment parts, optical fibres, optical fibre cables and optical fibre preforms from the Prysmian Group. In particular, we noted from the Management that each of the Group and the Prysmian Group manufactures and sells optical fibres and optical fibre cables with different specifications according to their own production plans and business strategies. As such, the purchase of optical fibres and cables among both parties could benefit them from the broadening of products portfolio in a cost-efficient manner.

As each of the 2020-2022 YOFC Shanghai Sales Framework Agreement, the 2020-2022 YOFC Shanghai Purchase Framework Agreement, the 2020-2022 Prysmian Sales Framework Agreement and the 2020-2022 Prysmian Purchase Framework Agreement has expired on 31 December 2022, the 2023-2025 YOFC Shanghai Sales Framework Agreement, the 2023-2025 YOFC Shanghai Purchase Framework Agreement, the 2023-2025 Prysmian Sales Framework Agreement and the 2023-2025 Prysmian Purchase Framework Agreement represent a continuation of the existing arrangements in respect of the Group’s sales and purchase transactions with YOFC Shanghai and the Prysmian Group respectively during the Group’s ordinary and usual course of business.

We noted from the Management that the Group has maintained a long-term business relationship with each of YOFC Shanghai and the Prysmian Group for over 20 years and 34 years respectively. With the long-term business relationship and proven track record in business transactions between the Group and each of YOFC Shanghai and the Prysmian Group, we also noted from the Management that the products provided by YOFC Shanghai and the Prysmian Group have been always of high quality with relatively competitive prices; while the sale of products to YOFC Shanghai and the Prysmian Group have brought a stable revenue stream to the Group. In view of the past operational convenience and benefits brought to the Group, the continuity of the business relationships with YOFC Shanghai and the Prysmian Group is beneficial to the long-term development of the Group. As such, the Management believes and we concur that the transactions contemplated under each of the 2023-2025 YOFC Shanghai Sales Framework Agreement, the 2023-2025 YOFC Shanghai Purchase Framework Agreement, the 2023-2025 Prysmian Sales Framework Agreement and the 2023-2025 Prysmian Purchase Framework Agreement will continue to be conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2.2. 2023-2025 YOFC Shanghai Sales Framework Agreement

To assess the fairness and reasonableness of the 2023-2025 YOFC Shanghai Sales Framework Agreement, we have considered the followings.

2.2.1. Principal terms of the 2023-2025 YOFC Shanghai Sales Framework Agreement

Pursuant to the 2023-2025 YOFC Shanghai Sales Framework Agreement, the Company agreed to sell optical fibres and optical fibre cables, raw materials, equipment and components to YOFC Shanghai. The 2023-2025 YOFC Shanghai Sales Framework Agreement shall take retrospective effect from 1 January 2023 upon the passing of the relevant resolution to be proposed at the EGM and expiring on 31 December 2025. For details of the terms of the 2023-2025 YOFC Shanghai Sales Framework Agreement, please refer to the paragraph headed “B. Sales Transaction with YOFC Shanghai” in the “Letter from the Board” of the Circular.

The pricing terms of each sales transaction shall be determined with reference to:

- (i) the prevailing tender price announced by the local telecommunications operators at the place where the relevant purchaser is located (the “**Local Tender Price**”); or
- (ii) the latest average export (from China) price made available to the public by the General Administration of Customs of the PRC (中華人民共和國海關總署), at the time of the relevant transaction (the “**Export Price**”),

where neither Local Tender Price nor the Export Price is available, the pricing terms shall be determined with reference to the prevailing tender price announced by the state-owned telecommunications operators in the PRC (the “**PRC Tender Price**”) and where none of the Local Tender Price, the Export Price or the PRC Tender Price is available or applicable, the price shall be determined on a fair and reasonable basis which is equivalent or comparable to those offered to or quoted by third parties independent of the Company for similar products.

We noted from the Management that (i) the Local Tender Price will be fixed when the overseas telecommunications operators have completed their bidding process and announced the bidding results; and (ii) the PRC Tender Price will be fixed when the state-owned telecommunications operators in the PRC have completed their bidding process and announced the bidding results. The bidding results including the tender price will be made available to all the bidders participating in the bidding process including the Company. For overseas telecommunications operators, the bidding process will only be carried out when they have the business needs and therefore, the Local Tender Price will not be announced on a frequent basis. For each of the state-owned telecommunications operators in the PRC, they will carry out the respective central bidding processes once a year to determine the volume of optical fibres and optical fibre cables to be purchased from each domestic manufacturer in the PRC. The PRC Tender Price will be announced after the completion of central bidding process.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We also noted from the Management that a predetermined price range will be set by the chief sales officer of the Company in the first quarter every year by reference to the Local Tender Price and the PRC Tender Price. The price range will also be updated from time to time to incorporate the latest Export Price, which is updated by the General Administration of Customs of the PRC on a monthly basis. The price will be determined with reference to the highest and the lowest of the Local Tender Price, the PRC Tender Price and the latest Export Price, if available.

For export sales, the actual contract price will be determined with reference to the higher of the Local Tender Price or the Export Price if both are available for the specific type of optical fibres or optical fibre cables being sold. Before accepting an export purchase order, the salesman responsible for such order shall make sure that the actual contract price falls within the predetermined price range set by the chief sales officer.

For domestic sales, since the Local Tender Price and the Export Price are not relevant, the price will be determined with reference to the PRC Tender Price. Before accepting a domestic purchase order, the salesman responsible for such order shall make sure that the actual contract price is at least equal to or higher than the PRC Tender Price.

According to the Management, the abovementioned pricing policy applies consistently to both YOFC Shanghai and independent third party customers of the Group, which indicates that both YOFC Shanghai and independent third party customers have been treated equally and fairly in this regard. In addition, in view of the fact that telecommunications industry is highly concentrated in a handful of operators, whether in the PRC or elsewhere in the world, demands for optical fibres and optical fibre cables from these telecommunications operators would be the main drivers of the market demands for these products, and the tender prices determined by these operators would serve as the benchmark for market prices. Therefore, the Management considers and we concur that the Local Tender Price, the Export Price and the PRC Tender Price will serve as the benchmarks for the fair values of the products sold by the Group.

We noted that the Group has established internal control measures to monitor the implementation of pricing policy of the transactions contemplated under the 2023-2025 YOFC Shanghai Sales Framework Agreement. In this regard, we have obtained the full list of sales transactions entered into between the Group and YOFC Shanghai for the two years ended 31 December 2021 and the 11 months ended 30 November 2022 and noted that there were over 4,000, 4,000 and 1,000 sales transactions entered into during the respective year/period. We have considered the purpose of sampling is to ascertain whether the pricing policy has been consistently applied to both YOFC Shanghai and independent third party customers of the Group and selected a total of 30 samples of sales transactions contemplated under the 2020-2022 YOFC Shanghai Sales Framework Agreement for review (the “**YOFC Shanghai Sales Samples**”). The YOFC Shanghai Sales Samples are selected based on (i) top five sales transactions (in terms of sales amount); and (ii) five randomly selected sales transactions, for each of the two years ended 31 December 2021 and the 11 months ended 30 November 2022 respectively. The coverage of the YOFC

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Shanghai Sales Samples in terms of aggregate monetary amount of sales transactions entered into between the Group and YOFC Shanghai are approximately 8.8%, 5.9% and 5.1% for each of the two years ended 31 December 2021 and the 11 months ended 30 November 2022 respectively. We have compared the unit prices and payment terms of the YOFC Shanghai Sales Samples with the unit prices and payment terms of similar products offered to independent third party customers corresponding to each of the YOFC Shanghai Sales Samples provided by the Company and noted that the unit prices and payment terms offered to YOFC Shanghai were no less favourable than those offered to independent third party customers. Considering that the YOFC Shanghai Sales Samples obtained and reviewed cover the period of the 2020-2022 YOFC Shanghai Sales Framework Agreement as well as various types of products sold to YOFC Shanghai, we believe the sample size is sufficient. Taking into account that the Group applies the same pricing policy for sales to both YOFC Shanghai and independent third party customers, we are of the view that the Group's internal control had been adhered to comply with the aforementioned pricing policy for the sales transactions conducted with YOFC Shanghai. We also believe that there exist procedures to ensure the transactions contemplated under the 2023-2025 YOFC Shanghai Sales Framework Agreement will be continuously carried out on normal commercial terms and with reference to the aforementioned pricing policy and accordingly, fair and reasonable.

In light of the above, we consider the terms of the 2023-2025 YOFC Shanghai Sales Framework Agreement are on normal commercial terms and are fair and reasonable.

2.2.2. Proposed annual caps

2.2.2.1. Existing annual caps and historical variances

The following table summarises (i) the historical transaction amounts received by the Group from the sales transactions with YOFC Shanghai under the 2020-2022 YOFC Shanghai Sales Framework Agreement; and (ii) the corresponding existing annual caps, for each of the two years ended 31 December 2021 and the 11 months ended 30 November 2022 respectively.

	For the year ended 31 December		For the 11 months ended
	2020	2021	30 November 2022
	<i>(RMB'000)</i>		
Historical transaction amount	193,846	186,298	231,445
Existing annual caps	350,000	350,000	350,000 (for the year ended 31 December 2022)
Utilisation rate	55.4%	53.2%	66.1% ^(Note)

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Note: This utilisation rate is calculated based on (i) historical transaction amount for the 11 months ended 30 November 2022; and divided by (ii) the existing annual cap for the year ended 31 December 2022.

As shown in the above table, the utilisation rates of the existing annual caps remained relatively stable at approximately 55.4% and 53.2% in 2020 and 2021 respectively. For the 11 months ended 30 November 2022, the actual sales amount represented approximately 66.1% of the existing annual cap for the year ended 31 December 2022. In terms of actual sales amount, the Group's sales in 2021 to YOFC Shanghai was approximately RMB186.3 million (which accounted for approximately 2.0% of the Group's operating income in 2021), representing a slight decrease of approximately 3.9% from approximately RMB193.8 million in 2020 (which accounted for approximately 2.4% of the Group's operating income in 2020). The sales amount for the 11 months ended 30 November 2022 was approximately RMB231.4 million. For illustrative purpose only, the annualised sales amount for 2022 based on the 11 months' actual figure would be approximately RMB252.5 million, representing an increase of approximately 35.5% as compared to that recorded in 2021.

Overall, the sales to YOFC Shanghai were relatively stable during 2020 and 2021, with a sign of recovery in 2022. According to the Management, the decrease in sales amount from 2020 to 2021 was mainly due to the drop in average price of optical fibres sold to YOFC Shanghai.

2.2.2. Proposed annual caps

The following table sets out the proposed annual caps for the sales transactions with YOFC Shanghai under the 2023-2025 YOFC Shanghai Sales Framework Agreement for the years ending 31 December 2023, 2024 and 2025 respectively.

	For the year ending 31 December		
	2023	2024	2025
	<i>(RMB'000)</i>		
Proposed annual caps	300,000	300,000	300,000

In determining the above proposed annual caps, we understand from the Management that the Company has taken into consideration (i) the historical sales transaction amounts with YOFC Shanghai; and (ii) the projected sales of optical fibre and optical fibre cables to YOFC Shanghai.

In assessing the fairness and reasonableness of the proposed annual caps, we have discussed with the Management and obtained the relevant working for review. Based on our discussion with the Management, we noted that the

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proposed annual caps in relation to the sales transaction with YOFC Shanghai for the three years ending 31 December 2025 are being proposed by YOFC Shanghai primarily based on their expected demand for optical fibres and optical fibre cables from the Group.

Separately, apart from referring to the projected demand as indicated by YOFC Shanghai, we have also taken into account the fact that the slightly lowered annual cap of RMB300 million per year as compared to the existing annual caps is being proposed mainly considering (i) the lower than expected utilisation rates of existing annual caps as abovementioned; and (ii) the potential opportunities arising from the PRC's 14th Five-Year Plan in relation to the information and telecommunications industry, which may in turn increase YOFC Shanghai's demand for the Group's optical fibres and optical fibre cables. In this regard, we noted that the Ministry of Industry and Information Technology of the PRC has published a proposal of the Development Planning of the Information and Telecommunications Industry under the 14th Five-Year Plan (《「十四五」信息通信行業發展規劃》) on 16 November 2021 (the “**Proposal**”). The Proposal stated that the development priorities would include “building advanced digital infrastructure facilities” and “expanding the development space for digitalisation”. According to the Proposal, amongst others, (i) the accumulated investment in infrastructure for the information and telecommunications industry is expected to increase from RMB2.5 trillion in 2020 to RMB3.7 trillion in 2025, representing a compound annual growth rate (“**CAGR**”) of approximately 8.2%; (ii) the number of 5G base stations covering every ten thousand people is expected to increase from five in 2020 to 26 in 2025, representing a CAGR of approximately 39.1%; (iii) the popularity rate of 5G users is expected to increase from 15% in 2020 to 56% in 2025, representing a CAGR of approximately 30.1%; and (iv) the 5G accessibility rate in administrative villages is expected to increase from 0% in 2020 to 80% in 2025. In light of such backdrop to promote the mass scale construction and adoption of the 5G network, this may in turn facilitate growth in demand for optical fibres and optical fibre cables. In addition, we have also considered that the abovementioned targeted CAGR of various quantitative measures as stated in the Proposal ranged from approximately 8.2% to 39.1%; while the annualised sales amount for 2022 (based on 11 months' actual figure) already accounted for approximately 84.2% of the proposed annual cap of RMB300 million, the proposed annual cap caters for a 15% growth in YOFC Shanghai's potential demand for the Group's products is fair and reasonable.

In light of the above, we are of the view that the proposed annual caps in relation to the sales transaction with YOFC Shanghai under the 2023-2025 YOFC Shanghai Sales Framework Agreement are fair and reasonable.

2.3. 2023-2025 YOFC Shanghai Purchase Framework Agreement

To assess the fairness and reasonableness of the 2023-2025 YOFC Shanghai Purchase Framework Agreement, we have considered the followings.

2.3.1. Principal terms of the 2023-2025 YOFC Shanghai Purchase Framework Agreement

Pursuant to the 2023-2025 YOFC Shanghai Purchase Framework Agreement, the Company agreed to purchase optical fibres, optical fibre cables and spare parts from YOFC Shanghai. The 2023-2025 YOFC Shanghai Purchase Framework Agreement shall take retrospective effect from 1 January 2023 upon the passing of the relevant resolution to be proposed at the EGM and expiring on 31 December 2025. For details of the terms of the 2023-2025 YOFC Shanghai Purchase Framework Agreement, please refer to the paragraph headed “C. Purchase Transactions with YOFC Shanghai” in the “Letter from the Board” of the Circular.

The pricing terms of each purchase transaction shall be determined with reference to:

- (i) the latest average import (into China) price made available to the public by the General Administration of Customs of the PRC (中華人民共和國海關總署) at the time of the relevant transaction (the “**Import Price**”); or
- (ii) the prevailing tender price announced by the state-owned telecommunications operators in the PRC (the “**Purchase PRC Tender Price**”),

where none of the above is available or applicable, the price shall be determined on a fair and reasonable basis which is equivalent or comparable to those offered to or quoted by third parties independent of the Company for similar products. The Group shall solicit at least two other contemporaneous transactions with unrelated third parties for products in similar quantities and quality to determine if the price and terms offered by YOFC Shanghai are fair and reasonable and comparable to those offered by unrelated third parties.

We noted from the Management that the Purchase PRC Tender Price will be fixed when the state-owned telecommunications operators in the PRC have completed their central bidding process and announced the bidding results. As the central bidding process will usually be carried out once a year, the Purchase PRC Tender Price will be announced to industry participants after completion of the central bidding process.

We also noted from the Management that a predetermined price range will be set by the head of supply chain department of the Company at the beginning of each financial year with reference to the latest available Import Price and such range will be updated from time to time based on the latest information available from the General Administration of Customs of the PRC. The price will be determined within the range representing the highest and the lowest of the Import Price and the Purchase PRC Tender Price, if available.

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For import purchase, the price will be determined with reference to the Import Price. Before placing a purchase order, the procurement staff responsible for such order shall make sure that the actual contract price shall fall within such predetermined price range.

For domestic purchase, the price will be determined with reference to the Purchase PRC Tender Price. Before placing a domestic purchase order, the procurement staff responsible for such order shall make sure that the actual contract price would not be higher than the Purchase PRC Tender Price.

According to the Management, the abovementioned pricing policy applies consistently to both YOFC Shanghai and independent third party suppliers of the Group, which indicates that both YOFC Shanghai and independent third party suppliers have been treated equally and fairly in this regard. In addition, in view of the fact that the PRC telecommunications industry is highly concentrated in three state-owned telecommunications operators, demands from these operators would be the main drivers of the market demands for optical fibres and optical fibre cables, and the tender prices determined by them would serve as the benchmark for market prices. Accordingly, the Management considers and we concur that the Import Price and the Purchase PRC Tender Price will serve as the benchmarks for the fair values of the products purchased by the Group.

We further noted that the Group has established internal control measures to monitor the implementation of pricing policy of the transactions contemplated under the 2023-2025 YOFC Shanghai Purchase Framework Agreement. In this regard, we have obtained the full list of purchase transactions entered into between the Group and YOFC Shanghai for the two years ended 31 December 2021 and the 11 months ended 30 November 2022 and noted that there were over 4,000, 3,000 and 3,000 purchase transactions entered into during the respective year/period. We have considered the purpose of sampling is to ascertain whether the pricing policy has been consistently applied to both YOFC Shanghai and independent third party suppliers of the Group and selected a total of 30 samples of purchase transactions contemplated under the 2020-2022 YOFC Shanghai Purchase Framework Agreement for review (the “**YOFC Shanghai Purchase Samples**”). The YOFC Shanghai Purchase Samples are selected based on (i) top five purchase transactions (in terms of purchase amount); and (ii) five randomly selected purchase transactions, for each of the two years ended 31 December 2021 and the 11 months ended 30 November 2022 respectively. The coverage of the YOFC Shanghai Purchase Samples in terms of aggregate monetary amount of purchase transactions entered into between the Group and YOFC Shanghai are approximately 9.1%, 9.1% and 6.5% for each of the two years ended 31 December 2021 and the 11 months ended 30 November 2022 respectively. As advised by the Management, the purchase from YOFC Shanghai for the two years ended 31 December 2021 and the 11 months ended 30 November 2022 consisted optical fibre cables with customised specifications, where the Group did not have similar purchase transactions with independent third party suppliers. We have compared the unit prices and payment terms of the YOFC Shanghai Purchase Samples with the unit prices and payment terms of similar products offered by independent third party suppliers corresponding to each of the YOFC Shanghai Purchase Samples provided by the Company and

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noted that the unit prices and payment terms offered by YOFC Shanghai were no less favourable than those offered by independent third party suppliers or the Group followed the Purchase PRC Tender Price.

Considering that the YOFC Shanghai Purchase Samples obtained and reviewed cover the period of the 2020-2022 YOFC Shanghai Purchase Framework Agreement as well as various types of products purchased from YOFC Shanghai, we believe the sample size is sufficient. Taking into account that the Group applies the same pricing policy for purchase from both YOFC Shanghai and independent third party suppliers, we are of the view that the Group's internal control had been adhered to comply with the aforementioned pricing policy for the purchase transactions conducted with YOFC Shanghai. We also believe there exist procedures to ensure the transactions contemplated under the 2023-2025 YOFC Shanghai Purchase Framework Agreement will be continuously carried out on normal commercial terms and with reference to the aforementioned pricing policy and accordingly, fair and reasonable.

In light of the above, we consider the terms of the 2023-2025 YOFC Shanghai Purchase Framework Agreement are on normal commercial terms and are fair and reasonable.

2.3.2. Proposed annual caps

2.3.2.1. Existing annual caps and historical variances

The following table summarises (i) the historical transaction amounts paid by the Group for the purchase transactions with YOFC Shanghai under the 2020-2022 YOFC Shanghai Purchase Framework Agreement; and (ii) the corresponding existing annual caps, for each of the two years ended 31 December 2021 and the 11 months ended 30 November 2022 respectively.

	For the year ended 31 December		For the 11 months ended 30 November
	2020	2021	2022
	<i>(RMB'000)</i>		
Historical transaction amount	339,212	302,245	347,606
Existing annual caps	450,000	450,000	450,000 (for the year ended 31 December 2022)
Utilisation rate	75.4%	67.2%	77.2% ^(Note)

Note: This utilisation rate is calculated based on (i) historical transaction amount for the 11 months ended 30 November 2022; and divided by (ii) the existing annual cap for the year ended 31 December 2022.

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As shown in the above table, the utilisation rates of the existing annual caps remained relatively stable at approximately 75.4% and 67.2% in 2020 and 2021 respectively. For the 11 months ended 30 November 2022, the actual purchase amount represented approximately 77.2% of the existing annual cap for the year ended 31 December 2022. In terms of actual purchase amount, the Group's purchase in 2021 from YOFC Shanghai was approximately RMB302.2 million (which accounted for approximately 5.0% of the Group's raw material costs in 2021), representing a decrease of approximately 10.9% from approximately RMB339.2 million in 2020 (which accounted for approximately 6.4% of the Group's raw material costs in 2020). The purchase amount for the 11 months ended 30 November 2022 was approximately RMB347.6 million. For illustrative purpose only, the annualised purchase amount for 2022 based on the 11 months' actual figure would be approximately RMB379.2 million, representing an increase of approximately 25.5% as compared to that recorded in 2021.

Overall, the Group's purchase from YOFC Shanghai were relatively stable during 2020 and 2021, with a sign of recovery in 2022. According to the Management, the decrease in purchase amount from 2020 to 2021 was mainly due to the drop in average price of optical fibre cables purchased from YOFC Shanghai.

2.3.2.2. Proposed annual caps

The following table sets out the proposed annual caps for the purchase transactions with YOFC Shanghai under the 2023-2025 YOFC Shanghai Purchase Framework Agreement for the years ending 31 December 2023, 2024 and 2025 respectively.

	For the year ending 31 December		
	2023	2024	2025
	<i>(RMB'000)</i>		
Proposed annual caps	450,000	450,000	450,000

In determining the above proposed annual caps, we understand from the Management that the Company has taken into consideration (i) the historical purchase transaction amounts with YOFC Shanghai; and (ii) the projected increase in the purchase of optical fibre cables from YOFC Shanghai in line with the growth in demand for optical fibre cables resulting from the anticipated continual mass construction of 5G and broadband network.

In assessing the fairness and reasonableness of the proposed annual caps, we have discussed with the Management and obtained the relevant working for review. We noted that the proposed annual cap of RMB450 million per year, being the same level of the existing annual cap, is mainly arrived at considering (i) the latest annualised purchase amount from YOFC Shanghai of approximately RMB379.2 million as calculated based on the actual 11 months'

figure in 2022; and (ii) the potential increase in volume taking into account opportunities arising from the PRC's 14th Five-Year Plan in relation to the information and telecommunications industry. We noted that the Group's purchase amount from YOFC Shanghai were relatively stable as abovementioned. In relation to the opportunities arising from the PRC's 14th Five-Year Plan, as discussed in the paragraph headed "2.2.2.2. Proposed annual caps" above, we noted that the Proposal published by the Ministry of Industry and Information Technology of the PRC under the 14th Five-Year Plan on 16 November 2021 promotes the continued mass scale construction and adoption of the 5G network in the PRC in the next few years, which in turn may facilitate the growth in demand for optical fibre cables to be purchased from YOFC Shanghai. In addition, we have also considered that the targeted CAGR of various quantitative measures as stated in the Proposal ranged from approximately 8.2% to 39.1% as mentioned in the paragraph headed "2.2.2.2. Proposed annual caps" above; while the annualised purchase amount for 2022 (based on 11 months' actual figure) already accounted for approximately 84.3% of the proposed annual cap of RMB450 million, the proposed annual cap caters for a 15% growth in the Group's potential demand is fair and reasonable.

In light of the above, we are of the view that the proposed annual caps in relation to the purchase transaction with YOFC Shanghai under the 2023-2025 YOFC Shanghai Purchase Framework Agreement are fair and reasonable.

2.4. 2023-2025 Prysmian Sales Framework Agreement

To assess the fairness and reasonableness of the 2023-2025 Prysmian Sales Framework Agreement, we have considered the followings.

2.4.1. Principal terms of the 2023-2025 Prysmian Sales Framework Agreement

Pursuant to the 2023-2025 Prysmian Sales Framework Agreement, the Company agreed to sell optical fibres and optical fibre cables to the Prysmian Group. The 2023-2025 Prysmian Sales Framework Agreement shall take retrospective effect from 1 January 2023 upon the passing of the relevant resolution to be proposed at the EGM and expiring on 31 December 2025. For details of the terms of the 2023-2025 Prysmian Sales Framework Agreement, please refer to the paragraph headed "D. Sales Transactions with the Prysmian Group" in the "Letter from the Board" of the Circular.

The pricing terms of each sales transaction shall be determined with reference to:

- (i) the Local Tender Price; or
- (ii) the Export Price,

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where neither Local Tender Price nor the Export Price is available, the pricing terms shall be determined with reference to the PRC Tender Price and where none of the Local Tender Price, the Export Price or the PRC Tender Price is available or applicable, the price shall be determined on a fair and reasonable basis which is equivalent or comparable to those offered to or quoted by third parties independent of the Company for similar products.

We noted that the abovementioned pricing policy applicable to the sales transactions contemplated under the 2023-2025 Prysmian Sales Framework Agreement is the same as that applicable to the sales transactions contemplated under the 2023-2025 YOFC Shanghai Sales Framework Agreement as discussed in the paragraph headed “2.2.1. Principal terms of the 2023-2025 YOFC Shanghai Sales Framework Agreement” above. According to the Management, such pricing policy applies consistently to both the Prysmian Group and independent third party customers of the Group, which indicates that both the Prysmian Group and independent third party customers have been treated equally and fairly in this regard.

We also noted that the Group has established internal control measures to monitor the implementation of pricing policy of the transactions contemplated under the 2023-2025 Prysmian Sales Framework Agreement. In this regard, we have obtained the full list of sales transactions entered into between the Group and the Prysmian Group for the two years ended 31 December 2021 and the 11 months ended 30 November 2022 and noted that there were over 50, 400 and 1,000 sales transactions entered into during the respective year/period. We have considered the purpose of sampling is to ascertain whether the pricing policy has been consistently applied to the Prysmian Group and independent third party customers of the Group and selected a total of 30 samples of sales transactions contemplated under the 2020-2022 Prysmian Sales Framework Agreement for review (the “**Prysmian Sales Samples**”). The Prysmian Sales Samples are selected based on (i) top five sales transactions (in terms of sales amount); and (ii) five randomly selected sales transactions, for each of the two years ended 31 December 2021 and the 11 months ended 30 November 2022 respectively. The coverage of the Prysmian Sales Samples in terms of aggregate monetary amount of sales transactions entered into between the Group and the Prysmian Group are approximately 43.2%, 11.7% and 7.6% for each of the two years ended 31 December 2021 and the 11 months ended 30 November 2022 respectively. We have compared the unit prices and payment terms of the Prysmian Sales Samples with the unit prices and payment terms of similar products offered to independent third party customers corresponding to each of the Prysmian Sales Samples provided by the Company and noted that the unit prices and payment terms offered to the Prysmian Group were no less favourable than those offered to independent third party customers.

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Considering that the Prysmian Sales Samples obtained and reviewed cover the period of the 2020-2022 Prysmian Sales Framework Agreement as well as various types of products sold to the Prysmian Group, we believe the sample size is sufficient. Taking into account that the Group applies the same pricing policy for sales to both the Prysmian Group and independent third party customers, we are of the view that the Group's internal control had been adhered to comply with the aforementioned pricing policy for the sales transactions conducted with the Prysmian Group. We also believe there exist procedures to ensure the transactions contemplated under the 2023-2025 Prysmian Sales Framework Agreement will be continuously carried out on normal commercial terms and with reference to the aforementioned pricing policy and accordingly, fair and reasonable.

In light of the above, we consider the terms of the 2023-2025 Prysmian Sales Framework Agreement are on normal commercial terms and are fair and reasonable.

2.4.2. Proposed annual caps

2.4.2.1. Existing annual caps and historical variances

The following table summarises (i) the historical transaction amounts received by the Group from the sales transactions with the Prysmian Group under the 2020-2022 Prysmian Sales Framework Agreement; and (ii) the corresponding existing annual caps, for each of the two years ended 31 December 2021 and the 11 months ended 30 November 2022 respectively.

	For the year ended 31 December		For the 11 months ended 30 November
	2020	2021	2022
	<i>(RMB'000)</i>		
Historical transaction amount	10,680	74,048	191,728
Existing annual caps	200,000	200,000	200,000 (for the year ended 31 December 2022)
Utilisation rate	5.3%	37.0%	95.9% ^(Note)

Note: This utilisation rate is calculated based on (i) historical transaction amount for the 11 months ended 30 November 2022; and divided by (ii) the existing annual cap for the year ended 31 December 2022.

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As shown in the above table, the utilisation rates of the existing annual caps increased from approximately 5.3% in 2020 to approximately 37.0% in 2021. For the 11 months ended 30 November 2022, the utilisation rate increased significantly to approximately 95.9%, which means the Group has nearly fully utilised the existing annual cap for the year ended 31 December 2022. In terms of actual sales amount, an increasing trend could be observed since 2020. In 2021, the Group's sales amount to the Prysmian Group was approximately RMB74.0 million (which accounted for approximately 0.9% of the Group's operating income in 2021), representing an increase of approximately 593.3% from approximately RMB10.7 million in 2020 (which accounted for approximately 0.1% of the Group's operating income in 2020). The sales amount then further increased to approximately RMB191.7 million for the 11 months ended 30 November 2022 and represented an increase of approximately 158.9% as compared to the full year figure in 2021.

According to the Management, the relatively low utilisation rate in 2020 was mainly due to the Prysmian Group's weakened demand for optical fibres and optical fibre cables as adversely impacted by the COVID-19 pandemic. Since 2021, various business segments of the Prysmian Group have gradually been recovering and in turn, drove its demand for the optical fibres and optical fibre cables from the Group and led to the significant increase in sales amounts in 2021 and 2022 (up to November) as illustrated above. In this regard, we noted from the Prysmian Group 2021 Annual Report and the Prysmian Group 3Q Financial Report that, following a drop in sales in 2020 as compared to that in 2019, the Prysmian Group has been able to deliver (i) an approximately 27.1% growth in sales in 2021 on a year-on-year basis; and (ii) an approximately 30.1% growth in sales for the nine months ended 30 September 2022 on a period-on-period basis, where their respective purchase of raw materials have also been increasing correspondingly.

In view of the recent growth in demand for the Group's products and the latest indication obtained from the Prysmian Group as further discussed below, a higher annual cap has been proposed for each of the three years ending 31 December 2025 than the existing annual caps as stated in the above table.

2.4.2.2. Proposed annual caps

The following table sets out the proposed annual caps for the sales transactions with the Prysmian Group under the 2023-2025 Prysmian Sales Framework Agreement for the years ending 31 December 2023, 2024 and 2025 respectively.

	For the year ending 31 December		
	2023	2024	2025
	<i>(RMB'000)</i>		
Proposed annual caps	600,000	600,000	600,000

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In determining the above proposed annual caps, we understand from the Management that the Company has taken into consideration (i) the historical sales transaction amounts with the Prysmian Group; and (ii) the projected demand for optical fibre cables from the Prysmian Group for the construction of 5G and broadband network in the North American and European markets.

In assessing the fairness and reasonableness of the proposed annual caps, we have discussed with the Management and obtained the relevant working for review. Based on our discussion with the Management, we understand that the proposed annual caps in relation to the sales transaction with the Prysmian Group for the three years ending 31 December 2025 are being proposed by the Prysmian Group primarily based on their expected demand for optical fibres and optical fibre cables from the Group. In particular, in view of the recent gradual recovery from the COVID-19 pandemic and the business growth of the Prysmian Group as discussed above, as well as their latest project pipelines on hand, the Prysmian Group indicates that their estimated annual maximum purchase of optical fibres and optical fibre cables from the Group will be increased up to RMB600 million for the next three years, representing an increase of 200% as compared to the existing annual cap, which is within the magnitude of increment of the historical transaction amount as mentioned in the paragraph headed “2.4.2.1. Existing annual caps and historical variances” above. In this regard, we noted from the Prysmian Group 3Q Financial Report that the Prysmian Group has a total order backlog of approximately Euro 6.85 billion (being an all-time high) with visibility of a further Euro 4.1 billion expected to be converted in backlog by 2024. We also noted that the Prysmian Group has signed a supply agreement with the Group in relation to their intention to increase their purchase volume of optical fibres and optical fibre cables from the Group. We have obtained and reviewed the aforesaid supply agreement and noted that the Prysmian Group expect to increase their purchase volume by more than 100% in 2023 as compared to 2022 (up to November), which may lead to a total purchase amount of over RMB500 million, to support its business needs. In addition, we have also considered that the proposed annual cap of RMB600 million provides room for further increase in demand for the Group’s products from the Prysmian Group in the next three years in view of the gradual recovery from the COVID-19 pandemic and the acceleration of 5G network deployment and growing demand for broadband optical fibre connectivity in developed countries, which is fair and reasonable.

In light of the above, we are of the view that the proposed annual caps in relation to the sales transaction with the Prysmian Group under the 2023-2025 Prysmian Sales Framework Agreement are fair and reasonable.

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2.5. 2023-2025 Prysmian Purchase Framework Agreement

To assess the fairness and reasonableness of the 2023-2025 Prysmian Purchase Framework Agreement, we have considered the followings.

2.5.1. Principal terms of the 2023-2025 Prysmian Purchase Framework Agreement

Pursuant to the 2023-2025 Prysmian Purchase Framework Agreement, the Company agreed to purchase equipment parts for optical fibre production, optical fibre preforms, optical fibres and optical fibre cables from the Prysmian Group. The 2023-2025 Prysmian Purchase Framework Agreement shall take retrospective effect from 1 January 2023 upon the passing of the relevant resolution to be proposed at the EGM and expiring on 31 December 2025. For details of the terms of the 2023-2025 Prysmian Purchase Framework Agreement, please refer to the paragraph headed “E. Purchase Transactions with the Prysmian Group” in the “Letter from the Board” of the Circular.

The pricing terms of each purchase transaction shall be determined with reference to:

- (i) the Import Price; or
- (ii) the Purchase PRC Tender Price,

where none of the above is available or applicable, the price shall be determined on a fair and reasonable basis which is equivalent or comparable to those offered to or quoted by third parties independent of the Company for similar products. The Group shall solicit at least two other contemporaneous transactions with unrelated third parties for products in similar quantities and quality to determine if the price and terms offered by the Prysmian Group are fair and reasonable and comparable to those offered by unrelated third parties.

We noted that the abovementioned pricing policy applicable to the purchase transactions contemplated under the 2023-2025 Prysmian Purchase Framework Agreement is the same as that applicable to the purchase transactions contemplated under the 2023-2025 YOFC Shanghai Purchase Framework Agreement as discussed in the paragraph headed “2.3.1. Principal terms of the 2023-2025 YOFC Shanghai Purchase Framework Agreement” above. According to the Management, such pricing policy applies consistently to both the Prysmian Group and independent third party suppliers of the Group, which indicates that both the Prysmian Group and independent third party suppliers have been treated equally and fairly in this regard.

We noted that the Group has established internal control measures to monitor the implementation of pricing policy of the transactions contemplated under the 2023-2025 Prysmian Purchase Framework Agreement. In this regard, we have

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obtained the full list of purchase transactions entered into between the Group and the Prysmian Group for the two years ended 31 December 2021 and the 11 months ended 30 November 2022 and noted that there were over 20, 80 and 30 purchase transactions entered into during the respective year/period. We have considered the purpose of sampling is to ascertain whether the pricing policy has been consistently applied to both the Prysmian Group and independent third party suppliers of the Group and selected a total of 15 samples of purchase transactions contemplated under the 2020-2022 Prysmian Purchase Framework Agreement for review (the “**Prysmian Purchase Samples**”). The Prysmian Purchase Samples are selected based on (i) top three purchase transactions (in terms of purchase amount); and (ii) two randomly selected purchase transactions, for each of the two years ended 31 December 2021 and the 11 months ended 30 November 2022 respectively. The coverage of the Prysmian Purchase Samples in terms of aggregate monetary amount of purchase transactions entered into between the Group and the Prysmian Group are approximately 57.3%, 56.8% and 45.8% for each of the two years ended 31 December 2021 and the 11 months ended 30 November 2022 respectively. As advised by the Management, the purchase from the Prysmian Group for the two years ended 31 December 2021 and the 11 months ended 30 November 2022 consisted specific types of optical fibres, where the Group did not have similar purchase transactions with independent third party suppliers. We have compared the unit prices and payment terms of the Prysmian Purchase Samples with the unit prices and payment terms of similar products offered by independent third party suppliers (if applicable, including quotations available from independent third party suppliers) corresponding to each of the Prysmian Purchase Samples provided by the Company and noted that the unit prices and payment terms offered by the Prysmian Group were no less favourable than those offered by independent third party suppliers.

Considering that the Prysmian Purchase Samples obtained and reviewed cover the period of the 2020-2022 Prysmian Purchase Framework Agreement as well as various types of products purchased from the Prysmian Group, we believe the sample size is sufficient. Taking into account that the Group applies the same pricing policy for purchase from both the Prysmian Group and independent third party suppliers, we are of the view that the Group’s internal control had been adhered to comply with the aforementioned pricing policy for the purchase transactions conducted with the Prysmian Group. We also believe there exist procedures to ensure the transactions contemplated under the 2023-2025 Prysmian Purchase Framework Agreement will be continuously carried out on normal commercial terms and with reference to the aforementioned pricing policy and accordingly, fair and reasonable.

In light of the above, we consider the terms of the 2023-2025 Prysmian Purchase Framework Agreement are on normal commercial terms and are fair and reasonable.

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2.5.2. *Proposed annual caps*

2.5.2.1. Existing annual caps and historical variances

The following table summarises (i) the historical transaction amounts paid by the Group for the purchase transactions with the Prysmian Group under the 2020-2022 Prysmian Purchase Framework Agreement; and (ii) the corresponding existing annual caps, for each of the two years ended 31 December 2021 and the 11 months ended 30 November 2022 respectively.

	For the year ended 31 December 2020	2021	For the 11 months ended 30 November 2022
	<i>(RMB'000)</i>		
Historical transaction amount	16,107	2,432	1,593
Existing annual caps	100,000	100,000	100,000 (for the year ended 31 December 2022)
Utilisation rate	16.1%	2.4%	1.6% ^(Note)

Note: This utilisation rate is calculated based on (i) historical transaction amount for the 11 months ended 30 November 2022; and divided by (ii) the existing annual cap for the year ended 31 December 2022.

As shown in the above table, the utilisation rates of the existing annual caps were relatively low at approximately 16.1% and 2.4% in 2020 and 2021 respectively. For the 11 months ended 30 November 2022, the actual purchase amount represented approximately 1.6% of the existing annual cap for the year ended 31 December 2022. In terms of actual purchase amount, the Group's purchase from the Prysmian Group decreased by approximately 84.9% from approximately RMB16.1 million in 2020 (which accounted for approximately 0.3% of the Group's raw material costs in 2020) to approximately RMB2.4 million in 2021 (which accounted for approximately 0.04% of the Group's raw material costs in 2021), and further decreased by approximately 34.5% to approximately RMB1.6 million for the 11 months ended 30 November 2022.

According to the Management, the relatively low utilisation rates of the existing annual caps were partly due to the production capacity of the Prysmian Group being adversely impacted by the COVID-19 pandemic; which was further augmented by the relatively strong demand for the Prysmian Group's products from its customers in the United States and Europe and in turn, limited the volume of products available to be sold to the Group. In this regard, we noted that the Prysmian Group's sales had been increased significantly in 2021 and the nine months ended 30 September 2022 as mentioned in the paragraph headed "2.4.2.1. Existing annual caps and historical variances"

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above, where majority of the sales were being derived in the United States and Europe. In addition, as mentioned in the paragraph headed “2.1. Reasons and benefit of entering into the sales and purchase transactions with YOFC Shanghai and the Prysmian Group” above, the Group mainly purchases specific types of optical fibres from the Prysmian Group that are not being manufactured by the Group according to its production plan. As such, the Group’s demand on which may fluctuate from time to time.

2.5.2.2. Proposed annual caps

The following table sets out the proposed annual caps for the purchase transactions with the Prysmian Group under the 2023-2025 Prysmian Purchase Framework Agreement for the years ending 31 December 2023, 2024 and 2025 respectively.

	For the year ending 31 December		
	2023	2024	2025
	<i>(RMB'000)</i>		
Proposed annual caps	100,000	100,000	100,000

In determining the above proposed annual caps, we understand from the Management that the Company has taken into consideration (i) the historical purchase transaction amounts with the Prysmian Group; (ii) the demand of the Group to purchase specific type of optical fibre and high-end multimode optical fibre from the Prysmian Group; and (iii) the overseas business expansion of the Group in line with its development strategy.

In assessing the fairness and reasonableness of the proposed annual caps, we have discussed with the Management and obtained the relevant working for review. Notwithstanding the relatively low utilisation rates of the existing annual caps, the Management advised that their future demand on products to be purchased from the Prysmian Group may recover and increase considering its strategy to expand the overseas business and its potential growth in demand for specific type of optical fibre as further elaborated below, and therefore has proposed the same level of annual cap for each of the three years ending 31 December 2025 as compared to the existing annual caps to cater for potential business needs.

Based on our discussion with the Management and as noted from the 2022 Interim Report, expansion of the overseas markets and internationalisation are part of the Group’s development strategy. In the first half of 2022, revenue generated from the Group’s overseas business has grown by approximately 53.1% as compared to the corresponding period in 2021 and reached approximately RMB2,185.9 million, and the Management expects to continue devoting resources to expand overseas. We noted that such strategy is in line with the development direction as promoted by the Proposal to encourage PRC

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companies to strengthen their overseas development and cooperation in various areas, such as 5G and broadband network. To cope with the Group's enlarged and expanding overseas business, and having considered the geographical proximity, transportation costs and overseas selling prices of optical fibres, the Management expects the overseas production plant of the Group will purchase equipment, optical fibres and optical fibre cables from the Prysmian Group from time to time. In particular, based on the projected production capacity of the Group's production plant in South Africa, it is expected that the Group may purchase approximately 1.1 million km optical fibres amounting to approximately RMB42.0 million annually from the Prysmian Group in the next three years. In this regard, we have obtained information in relation to the projected production capacity and noted the same.

In addition to the Group's demand from its overseas production plant as abovementioned, the proposed annual cap of RMB100 million also cater for the Group's purchase of specific type of optical fibre and high-end multimode optical fibre from the Prysmian Group. We noted from the Management that such types of optical fibres are mainly applied in the data centre market, where the Management expects that there will be an increase in demand in the next three years. In this regard, we noted from the Proposal as mentioned in the paragraph headed "2.2.2.2. Proposed annual caps" above that the development of data centre and the corresponding enhancement in computing power are part of the development priorities, which in turn may facilitate the growth in demand for the abovementioned specific types of optical fibres. We further noted from the Management that the actual purchase amount in the next three years will also be subject to the Prysmian Group's production capacity and volume of products available to be sold to the Group at the prevailing time.

In light of the above, we are of the view that the proposed annual caps in relation to the purchase transaction with the Prysmian Group under the 2023-2025 Prysmian Purchase Framework Agreement are fair and reasonable.

3. Internal control measures

We have obtained and reviewed the Group's internal control measures in relation to the 2023-2025 YOFC Shanghai Framework Agreements and the 2023-2025 Prysmian Framework Agreements and noted that (i) for sales transactions with YOFC Shanghai and the Prysmian Group, the chief sales officer of the Company will set a predetermined price range in the first quarter every year by reference to the Local Tender Price and the PRC Tender Price and will update the price range from time to time to incorporate the latest Export Price, where the selling price will be determined with reference to the highest and lowest of the Local Tender Price, the PRC Tender Price and the latest Export Price, if available; and (ii) for purchase transactions with YOFC Shanghai and the Prysmian Group, the head of supply chain department of the Company will set a predetermined price range at the beginning of each financial year with reference to the latest available Import Price and such range will be updated

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from time to time based on the latest information available from the General Administration of Customs of the PRC, where the purchase price shall fall within such predetermined price range. In addition, we noted that such pricing policy will be applied consistently to both YOFC Shanghai, the Prysmian Group and independent third party customers/suppliers of the Group. For details, please refer to the paragraph headed “V. Internal Control Measures” in the “Letter from the Board” of the Circular.

As mentioned in the paragraphs headed “2.2.1. Principal terms of the 2023-2025 YOFC Shanghai Sales Framework Agreement”, “2.3.1. Principal terms of the 2023-2025 YOFC Shanghai Purchase Framework Agreement”, “2.4.1. Principal terms of the 2023-2025 Prysmian Sales Framework Agreement” and “2.5.1. Principal terms of the 2023-2025 Prysmian Purchase Framework Agreement” above, we have selected samples of the Group’s sales and purchase transactions with YOFC Shanghai and the Prysmian Group for the two years ended 31 December 2021 and the 11 months ended 30 November 2022 respectively. We noted from such samples that the unit prices and payment terms of similar products offered to/by YOFC Shanghai and the Prysmian Group were no less favourable than those available to/offered by independent third party customers/suppliers.

Further, the auditors and the independent non-executive Directors will conduct annual review pursuant to the requirements of Chapter 14A. In this regard, we noted from the 2021 Annual Report that the auditors and the independent non-executive Directors had conducted annual review of the transactions contemplated under the 2020-2022 YOFC Shanghai Sales Framework Agreement, the 2020-2022 YOFC Shanghai Purchase Framework Agreement, the 2020-2022 Prysmian Sales Framework Agreement and the 2020-2022 Prysmian Purchase Framework Agreement and there were no findings under such annual review.

In view of the above, the Management is of the view and we concur that the internal control measures in relation to the 2023-2025 YOFC Shanghai Framework Agreements and the 2023-2025 Prysmian Framework Agreements are adequate and reasonable.

RECOMMENDATION

Having considered the above principal factors, we are of the view that (i) the 2023-2025 YOFC Shanghai Framework Agreements, the 2023-2025 Prysmian Framework Agreements and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; (ii) the terms of the 2023-2025 YOFC Shanghai Framework Agreements, the 2023-2025 Prysmian Framework Agreements and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable; and (iii) the proposed annual caps are fair and reasonable.

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Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolutions to be proposed at the EGM to approve the sales and purchase transactions with YOFC Shanghai and the Prysmian Group as respectively contemplated under the 2023-2025 YOFC Shanghai and Prysmian Sales Framework Agreements and the 2023-2025 YOFC Shanghai and Prysmian Purchase Framework Agreements and the respective proposed annual caps.

Yours faithfully,
For and on behalf of
Altus Capital Limited

Jeanny Leung
Executive Director

Ms. Jeanny Leung (“Ms. Leung”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions.

Shareholders should be aware that the English text of this Appendix is only a translation of the Chinese version and for reference purpose only. The Chinese version shall prevail in the case of discrepancies and/or inconsistencies between the two versions.

Pursuant to the Company Law of the People's Republic of China, the Accounting Standards for Business Enterprises and other applicable PRC laws and regulations, the Company has prepared an estimate on the 2023 to 2025 annual transaction amounts for the related party transactions during the ordinary and usual course of business, with details set out as follows:

I. TRANSACTION TYPE AND AMOUNTS FOR THE ESTIMATES

Related party	Type of Transaction	Currency	Estimated Transaction Amount for 2023	Estimated Transaction Amount for 2024	Estimated Transaction Amount for 2025
Sichuan Lefei Optoelectric Technology Company Limited (四川樂飛光電科技有限 公司)	Purchase of goods	RMB	800,000,000	900,000,000	1,000,000,000
	Sale of products/ Rendering of services	RMB	500,000,000	600,000,000	700,000,000
Shantou Hi-Tech Zone Ao Xing Optical Communication Equipment Co., Ltd. (汕頭高新區奧星光通信 設備有限公司)	Purchase of goods	RMB	500,000,000	500,000,000	500,000,000
	Sale of products/ Rendering of services	RMB	400,000,000	400,000,000	400,000,000
Shin-Etsu YOFC (Hubei) Optical Preform Co., Ltd. (長飛信越(湖北)光棒有限 公司)	Purchase of goods	RMB	700,000,000	700,000,000	700,000,000
	Sale of products/Rendering of services	RMB	200,000,000	200,000,000	200,000,000
Shenzhen SDGI Optical Fibre Co., Ltd. (深圳特發信息光纖有限 公司)	Purchase of goods	RMB	50,000,000	50,000,000	50,000,000
	Sale of products/Rendering of services	RMB	300,000,000	300,000,000	300,000,000
Wuhan Yunjingfei Optical Fibre Materials Co., Ltd. (武漢雲晶飛光纖材料有 限公司)	Purchase of goods	RMB	50,000,000	50,000,000	50,000,000
AVIC Baosheng Ocean Engineering Cable Company (中航寶勝海洋工程電纜 有限公司)	Purchase of goods	RMB	50,000,000	50,000,000	50,000,000

II. BASIC INFORMATION ON THE COUNTERPARTY TO THE TRANSACTIONS

1. Sichuan Lefei Optoelectric Technology Company Limited (四川樂飛光電科技有限公
司)

Nature of Corporation	limited liability company
Date of Establishment	May 17, 1993
Registered Capital	RMB108,000,000
Address	Jiulizhen, Emeishan, Sichuan
Legal Representative	Nie Lei (聶磊)
Scope of Business	Manufacture and sale of various types of optical fibres (including optical fibre preforms), optical fibre cables and other telecommunications cables, optical equipments, telecommunications testing equipment, and the import and export of the aforementioned products (excluding prohibited projects by the PRC State). Development and provision of services for internet connection devices and software; design, construction and provision of ancillary manufacturing services for CATV optical fibre networks. (For projects subject to approval pursuant to PRC laws, approval must be obtained from relevant regulators prior to the commencement of any business activities.)
Related Party Relationship	Senior managers of the Company serve as its directors. According to the relevant provisions of Rule 6.3.3 (3) of the Shanghai Listing Rules, Sichuan Lefei Optoelectric Technology Company Limited (四川樂飛光電科技有限公 司) is a related party of the Company
Key Financial Information for 2021	As of December 31, 2021, Sichuan Lefei Optoelectric Technology Company Limited had total assets of approximately RMB367,412,200, net assets of approximately RMB159,507,700, operating income for 2021 of approximately RMB512,641,500, and net profit of approximately RMB210,900. (The above information has been audited)

2. Shantou Hi-Tech Zone Ao Xing Optical Communication Equipment Co., Ltd. (汕頭高新區奧星光通信設備有限公司)

Nature of Corporation	limited liability company
Date of Establishment	November 6, 1992
Registered Capital	RMB200,558,817
Address	No. 15 Keji East Road, High-tech Zone, Shantou
Legal Representative	Gao Jingtao (高靜濤)
Scope of Business	Research, development, manufacture and sales of optical fibre preforms, optical fibres, optical fibre cables, telecommunication cables, specialty cables and devices, accessories, components and materials; manufacture of specialized equipment and telecommunication products; provision of engineering and technical services of such products. (For projects subject to approval pursuant to PRC laws, approval must be obtained from relevant regulators prior to the commencement of any business activities.)
Related Party Relationship	Senior managers of the Company serves as its director. According to the relevant provisions of Rule 6.3.3 (3) of the Shanghai Listing Rules, Shantou Hi-Tech Zone Ao Xing Optical Communication Equipment Co., Ltd. (汕頭高新區奧星光通信設備有限公司) is a related party of the Company
Key Financial Information for 2021	As of December 31, 2021, Shantou Hi-Tech Zone Ao Xing Optical Communication Equipment Co., Ltd. had total assets of approximately RMB475,923,200, net assets of approximately RMB225,932,900, operating income for 2021 of approximately RMB543,990,800, and net loss of approximately RMB25,260,900. (The above information has been audited)

3. Shin-Etsu YOFC (Hubei) Optical Preform Co., Ltd. (長飛信越(湖北)光棒有限公司)

Nature of Corporation	limited liability company
Date of Establishment	August 18, 2015
Registered Capital	JPY8,000,000,000
Address	No. 1 Changfei Avenue, Jiangnan Yanhua Industrial Park, Qianjiang
Legal Representative	Zhuang Dan (莊丹)
Scope of Business	Manufacture and sale of optical fibre preforms for optical fibres, production and sale of hydrochloric acid and silicon tetrachloride; production and sale of industrial products (excluding hazardous chemicals). (Involves licensed project, prior permission from the relevant departments must be obtained before operating)
Related Party Relationship	Director and senior manager of the Company serve as its directors. According to the relevant provisions of Rule 6.3.3 (3) of the Shanghai Listing Rules, Shin-Etsu YOFC (Hubei) Optical Preform Co., Ltd. (長飛信越(湖北)光棒有限公司) is a related party of the Company. Such Director and senior manager of the Company do not hold any interest in Shin-Etsu YOFC (Hubei) Optical Preform Co., Ltd.
Key Financial Information for 2021	As of December 31, 2021, Shin-Etsu YOFC (Hubei) Optical Preform Co., Ltd. had total assets of approximately RMB998,164,000, net assets of approximately RMB687,191,600, operating income for 2021 of approximately RMB309,734,600, and net profit of approximately RMB11,943,400. (The above information has been audited)

4. Shenzhen SDGI Optical Fibre Co., Ltd. (深圳特發信息光纖有限公司)

Nature of Corporation	limited liability company
Date of Establishment	August 30, 2000
Registered Capital	RMB386,518,320

Address	No. 20 Technology North 1st Road, Nanshan Xili Residential District, Shenzhen
Legal Representative	Wu Liwen (伍歷文)
Scope of Business	Technology development, technology consultation and sales of optical fibres, telecommunication products and mechanical equipment; domestic sales, export and import business. Manufacture of optical fibres and mechanical equipment
Related Party Relationship	Senior managers of the Company serve as its directors. According to the relevant provisions of Rule 6.3.3 (3) of the Shanghai Listing Rules, Shenzhen SDGI Optical Fibre Co., Ltd. (深圳特發信息光纖有限公司) is a related party of the Company
Key Financial Information for 2021	As of December 31, 2021, Shenzhen SDGI Optical Fibre Co., Ltd. had total assets of approximately RMB527,894,800, net assets of approximately RMB430,183,900, operating income for 2021 of approximately RMB281,807,500, and net loss of approximately RMB27,762,800. (The above information has been audited)

5. Wuhan Yunjingfei Optical Fibre Materials Co., Ltd. (武漢雲晶飛光纖材料有限公司)

Nature of Corporation	limited liability company
Date of Establishment	April 26, 2011
Registered Capital	RMB45,000,000
Address	No. 9 Guanggu Avenue, Donghu Development Zone, Wuhan
Legal Representative	Bao Wendong (包文東)

Scope of Business	Development, manufacture and sale of high-purity germanium tetrachloride, high-purity silicon tetrachloride and associated series of products used for optical fibres; import and export of goods, import and export of technology, as agent in importing and exporting (except for goods and technologies prohibited to be imported or exported by the PRC State). (For the purposes of the abovementioned scope of business, projects subject to specific requirements by the PRC State can be carried out when approved or pursuant to a permit, during the assessed period.)
Related Party Relationship	Senior manager of the Company serves as its director. According to the relevant provisions of Rule 6.3.3 (3) of the Shanghai Listing Rules, Wuhan Yunjingfei Optical Fibre Materials Co., Ltd. (武漢雲晶飛光纖維材料有限公司) is a related party of the Company
Key Financial Information for 2021	As of December 31, 2021, Wuhan Yunjingfei Optical Fibre Materials Co., Ltd. had total assets of approximately RMB85,531,700, net assets of approximately RMB56,437,000, operating income for 2021 of approximately RMB67,532,300, and net profit of approximately RMB913,100. (The above information has been audited)
6. AVIC Baosheng Ocean Engineering Cable Company (中航寶勝海洋工程電纜有限公司)	
Nature of Corporation	limited liability company
Date of Establishment	August 26, 2015
Registered Capital	RMB1,500,000,000
Address	No. 1 Shiqiao south road, Yangzhou
Legal Representative	Chen Dayong (陳大勇)

Scope of Business	Design, research and development, manufacture and sales of submarine cables, submarine optical cables, optoelectronic composite cables, submarine special cables, DC cables, high-voltage cables, ultra-high-voltage cables, umbilical cables, towing cables, OPGW and other electrical cables and accessories, soft connectors and other marine projects products; providing terminal facilities management services for ships; providing general cargo handling, storage, and transportation services in ports; supply chain management services; overall logistics solution planning and consulting; freight forwarding services; water and land transportation services; logistics information consulting; import and export of self-management and distribution of products and technologies (except for management of products and technologies that are restricted to the state's enterprises or import or export of products and technologies that are restricted).
Related Party Relationship	Senior managers of the Company serve as its directors. According to the relevant provisions of Rule 6.3.3 (3) of the Shanghai Listing Rules, AVIC Baosheng Ocean Engineering Cable Company (中航寶勝海洋工程電纜有限公司) is a related party of the Company
Key Financial Information for 2021	As of December 31, 2021, AVIC Baosheng Ocean Engineering Cable Company had total assets of approximately RMB2,325,032,700, net assets of approximately RMB1,306,586,100, operating income for 2021 of 1,508,534,500, and net profit of approximately RMB295,669,800. (The above information has been audited)

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 Group. 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

(a) Interests and Short Positions of the Directors, Supervisors and the Chief Executive in the Shares, Underlying Shares and Debentures

As at the Latest Practicable Date, the interests and short positions of the Directors, Supervisors or the chief executive of the Company in the shares, underlying shares or debentures of the Company and its 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, or as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise be notified to the Company and the Stock Exchange pursuant to the Model Code (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors and the chief executive of the Company) were as follows:

Name	Capacity	Class of Share	Number of Shares interested	Approximate percentage of interest in the Company ⁽¹⁾	Approximate percentage of the relevant classes of Shares of the Company ⁽¹⁾	Nature of interest
Directors						
Mr. Zhuang Dan	Beneficial owner	A Share	991,450 ⁽²⁾	0.13%	0.24%	Long position
Mr. Frank Franciscus Dorjee	Beneficial owner	H Share	162,000	0.02%	0.05%	Long position
Mr. Xiong Xiangfeng	Beneficial owner	A Share	297,450 ⁽²⁾	0.04%	0.07%	Long position
Mr. Song Wei	Beneficial owner	H Shares	200,000 ⁽²⁾	0.03%	0.06%	Long position
Supervisor						
Mr. Jiang Zhikang	Beneficial owner	A Share	305,050 ⁽²⁾	0.04%	0.08%	Long position

Notes:

- (1) As at the Latest Practicable Date, the total number of issued shares of the Company was 757,905,108, among which 351,566,794 were H shares and 406,338,314 were A shares.
- (2) Denotes the number of underlying A Shares represented by the units in Ningbo Ruitu Corporate Management Consulting Partnership Enterprise (Limited Partnership) (previously named as Wuhan Ruitu Management Consulting Partnership Enterprise (Limited Partnership)) or Ningbo Ruiying Corporate Management Consulting Partnership Enterprise (Limited Partnership) (previously named as Wuhan Ruiteng Management Consulting Partnership Enterprise (Limited Partnership)) (as the case may be) held by the relevant Directors and Supervisor. Wuhan Ruitu Management Consulting Partnership Enterprise (Limited Partnership) and Wuhan Ruiteng Management Consulting Partnership Enterprise (Limited Partnership) were established under the PRC laws on December 4, 2015 and December 7, 2015, respectively, for the purpose of holding A shares for the Directors, Supervisors and senior management members of the Company under the employee stock ownership scheme.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, Supervisors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Directors' Positions in Other Companies

As at the Latest Practicable Date, as far as the Company is aware, the following Directors are employed by the following company which has interests or short positions in the shares or underlying shares of the Company which are required to be notified to the Company and the Stock Exchange pursuant to Division 2 and 3 of Part XV of the SFO:

Name of Director	Position Held in Specific Company
Ma Jie	A director of the board and the general manager of China Huaxin and several positions in certain subsidiaries of China Huaxin
Guo Tao	The deputy general manager and secretary to the board of China Huaxin and several positions in certain subsidiaries of China Huaxin
Philippe Claude Vanhille	The senior vice-president of the telecom business of the Prysmian Group, an executive director of Draka and several positions in certain subsidiaries of Prysmian S.p.A.
Pier Francesco Facchini	The chief financial officer, the IT director and an executive director of Prysmian S.p.A. and several positions in certain subsidiaries of Prysmian S.p.A.
Xiong Xiangfeng	The chairman of the board and president of Yangtze Communications
Lai Zhimin	A consultant of Yangtze Communications

(c) Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at the Latest Practicable Date, the following persons (other than Directors, Supervisors or chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity	Class of Share	Number of Shares interested	Approximate percentage of interest in the Company ⁽¹⁾	Approximate percentage of the relevant classes of Shares of the Company ⁽¹⁾	Nature of interest
China Huaxin	Beneficial owner	A Share	179,827,794	23.73%	44.26%	Long position
China Poly Group Corporation Limited (中國保利集團有限公司) ⁽²⁾	Interest of a controlled corporation	A Share	179,827,794	23.73%	44.26%	Long position
Yangtze Communications	Beneficial owner	A share	119,937,010	15.82%	29.52%	Long position
Draka	Beneficial owner	H Share	179,827,794	23.73%	51.15%	Long position
Draka Holding B.V. ⁽³⁾	Interest of a controlled corporation	H Share	179,827,794	23.73%	51.15%	Long position
Prysmian S.p.A. ⁽⁴⁾	Interest of a controlled corporation	H Share	179,827,794	23.73%	51.15%	Long position

Notes:

- (1) As at Latest Practicable Date, the total number of issued shares of the Company was 757,905,108, among which 351,566,794 were H shares and 406,338,314 were A shares.
- (2) China Huaxin is wholly-owned by China Poly Group Corporation Limited (中國保利集團有限公司). China Poly Group Corporation Limited (中國保利集團有限公司) is therefore deemed to be interested in 179,827,794 A shares held by China Huaxin.
- (3) Draka is a wholly-owned subsidiary of Draka Holding B.V.. Draka Holding B.V. is therefore deemed to be interested in 179,827,794 H shares held by Draka.
- (4) Draka Holding B.V. is wholly-owned by Prysmian S.p.A.. As set out in note (3) above, Prysmian S.p.A. is therefore deemed to be interested in 179,827,794 H shares held by Draka.

3. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or their respective close associates had engaged in or had any interest in any business which competes or may compete, either directly or indirectly, with the businesses of the Group, except for Mr. Philippe Claude Vanhille and Mr. Pier Francesco Facchini. Mr. Philippe Claude Vanhille has been serving as the senior vice-president of telecom business of the Prysmian Group and is primarily responsible for its global telecom business. Mr. Pier Francesco Facchini is currently the chief financial officer, the IT director and an executive director of Prysmian S.p.A..

Prysmian S.p.A. (together with its group companies) produces a complete range of optical fibres, optical and copper cables and accessories for connectivity systems. Prysmian S.p.A. (together with its group companies) has similar business serving the telecom sector as the Company and therefore competes with the Company. Mr. Vanhille and Mr. Facchini hold several positions in certain subsidiaries and/or joint venture of Prysmian S.p.A. as more particularly described below:

Name of Director	Name of Company	Nature of Interests
Mr. Philippe Claude Vanhille	Draka	Executive Director
	Draka Comteq Fibre B.V.	Non-executive Director
	Draka Comteq France S.A.S.	Member of Comité de Contrôle
	Prysmian Cables and Systems USA LLC	Non-executive Director
Mr. Pier Francesco Facchini	Draka Comteq France S.A.S.	President of Comité de Contrôle
	Prysmian Cables et Systemes France S.A.S.	President of Comité de Contrôle
	Silec Cable S.A.S.	President of Comité de Contrôle
	P.T. Prysmian Cables Indonesia	Chairman of the Board of Commissioners

Name of Director	Name of Company	Nature of Interests
	Prysmian Treasury S.r.l.	Chairman of the board of directors
	Prysmian Cavi e Sistemi S.r.l.	Member of the board of directors
	Turk Prysmian Kablo Ve Sistemleri A.S.	Member of the board of directors
	Prysmian (China) Investment Company Ltd.	Member of the board of directors
	Prysmian MKM Magyar Kabel Muvek KFT	Chairman of supervisory board

4. DIRECTORS AND SUPERVISORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors or Supervisors of the Company had any direct or indirect interest in any assets which had since December 31, 2021, being the date to which the latest published audited accounts of the Group were made up, been acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors or Supervisors of the Company was materially interested, either directly or indirectly, in any contract or arrangement entered into by any member of the Group which was subsisting at the Latest Practicable Date and was significant to the business of the Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or Supervisors of the Company had entered into a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

6. EXPERT AND CONSENT

Altus Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter of advice dated January 20, 2023 and references to its name included in the form and context in which it appears.

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

Name	Qualification
Altus Capital Limited	a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

As at the Latest Practicable Date, Altus Capital did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Altus Capital was not interested, directly or indirectly, in any assets which had since December 31, 2021, being the date to which the latest published audited accounts of the Group were made up, been acquired or disposed of by or leased to, or proposed to be acquired or disposed of by or leased to, any member of the Group.

7. MATERIAL ADVERSE CHANGE

Save as publicly disclosed by the Company on the HKEXnews website on or before the date of this circular, as at the Latest Practicable Date, the Directors confirm that they were not aware of any material adverse change in the financial or trading positions of the Group since December 31, 2021 (being the date to which the latest published audited accounts of the Group were made up).

8. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.yofc.com for a period of 14 days from the date of this circular:

- (a) the 2023-2025 YOFC Shanghai Sales Framework Agreement;
- (b) the 2023-2025 YOFC Shanghai Purchase Framework Agreement;
- (c) the 2023-2025 Prysman Sales Framework Agreement;
- (d) the 2023-2025 Prysman Purchase Framework Agreement;

- (e) the 2023-2025 China Huaxin Framework Agreement;
- (f) the 2023-2025 Shanghai Nokia Purchase Framework Agreement;
- (g) the letter from the Independent Board Committee dated January 20, 2023, the text of which is set out on pages 52 to 53 of this circular;
- (h) the letter from the Independent Financial Adviser dated January 20, 2023, the text of which is set out on pages 54 to 80 of this circular; and
- (i) the consent letter from Altus Capital referred to in the paragraph headed “Expert and Consent” in this Appendix II.

9. GENERAL

- (a) The registered office of the Company is at No. 9 Guanggu Avenue, East Lake High-tech Development Zone, Wuhan, Hubei Province, PRC.
- (b) The H Share Registrar, Tricor Investor Services Limited, is situated at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (c) The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “**EGM**” or the “**Meeting**”) of Yangtze Optical Fibre and Cable Joint Stock Limited Company* (the “**Company**”) will be held Friday, February 17, 2023 at 2:00 p.m. at Multi-Media Meeting Room, 201# Building, No. 9 Guanggu Avenue, East Lake High-tech Development Zone, Wuhan, Hubei Province, PRC, for the purpose of considering and if thought fit, passing the following resolutions. In this notice, unless the context otherwise requires, terms used herein shall have the same meanings as defined in the Company’s circular dated January 20, 2023 (the “**Circular**”):

ORDINARY RESOLUTIONS

1. **THAT** the proposed caps for the continuing connected transactions contemplated under the Optical Fibre Technology Cooperation Agreement for the year ending December 31, 2023 and the period from January 1, 2024 to July 22, 2024 be and are hereby approved and confirmed, and the directors of the Company acting together or by committee, or any director of the Company acting individually, be and is hereby authorised to do all such further acts and things and execute such further documents and take all such steps which in his/her/their opinion may be necessary, desirable or expedient to implement and/or give effect to such proposed caps;
2. **THAT** (i) the continuing connected transactions contemplated under the 2023-2025 Prysmian Purchase Framework Agreement entered into between Prysmian S.p.A. and the Company on December 16, 2022, a copy of which has been initialled by the chairman of this meeting and for the purpose of identification marked “A”, and the proposed annual caps be and are hereby generally and unconditionally approved and the directors of the Company acting together or by committee, or any director of the Company acting individually, be and is hereby authorised to do all such further acts and things and execute such further documents and take all such steps which in his/her/their opinion may be necessary, desirable or expedient to implement and/or give effect to the terms of such continuing connected transactions; and (ii) the continuing connected transactions contemplated under the 2023-2025 Prysmian Sales Framework Agreement entered into between Prysmian S.p.A. and the Company on December 16, 2022, a copy of which has been initialled by the chairman of this meeting and for the purpose of identification marked “B”, and the proposed annual caps be and are hereby generally and

NOTICE OF EXTRAORDINARY GENERAL MEETING

unconditionally approved and the directors of the Company acting together or by committee, or any director of the Company acting individually, be and is hereby authorised to do all such further acts and things and execute such further documents and take all such steps which in his/her/their opinion may be necessary, desirable or expedient to implement and/or give effect to the terms of such continuing connected transactions;

3. **THAT** (i) the continuing connected transactions contemplated under the 2023-2025 YOFC Shanghai Purchase Framework Agreement entered into between YOFC Shanghai and the Company on December 16, 2022, a copy of which has been initialled by the chairman of this meeting and for the purpose of identification marked “C”, and the proposed annual caps be and are hereby generally and unconditionally approved and the directors of the Company acting together or by committee, or any director of the Company acting individually, be and is hereby authorised to do all such further acts and things and execute such further documents and take all such steps which in his/her/their opinion may be necessary, desirable or expedient to implement and/or give effect to the terms of such continuing connected transactions; and (ii) the continuing connected transactions contemplated under the 2023-2025 YOFC Shanghai Sales Framework Agreement entered into between YOFC Shanghai and the Company on December 16, 2022, a copy of which has been initialled by the chairman of this meeting and for the purpose of identification marked “D”, and the proposed annual caps be and are hereby generally and unconditionally approved and the directors of the Company acting together or by committee, or any director of the Company acting individually, be and is hereby authorised to do all such further acts and things and execute such further documents and take all such steps which in his/her/their opinion may be necessary, desirable or expedient to implement and/or give effect to the terms of such continuing connected transactions;
4. **THAT** the continuing connected transactions contemplated under the 2023-2025 China Huaxin Framework Agreement entered into between China Huaxin and the Company on December 16, 2022, a copy of which has been initialled by the chairman of this meeting and for the purpose of identification marked “E”, and the proposed annual caps be and is hereby generally and unconditionally approved and the directors of the Company acting together or by committee, or any director of the Company acting individually, be and is hereby authorised to do all such further acts and things and execute such further documents and take all such steps which in his/her/their opinion may be necessary, desirable or expedient to implement and/or give effect to the terms of such continuing connected transactions;
5. **THAT** the continuing connected transactions contemplated under the 2023-2025 Shanghai Nokia Purchase Framework Agreement entered into between Nokia Shanghai and the Company on December 16, 2022, a copy of which has been initialled by the chairman of this meeting and for the purpose of identification marked “F”, and the proposed revised annual cap be and is hereby generally and unconditionally approved and the directors of the Company acting together or by committee, or any director of the Company acting individually, be and is hereby authorised to do all such further acts and

NOTICE OF EXTRAORDINARY GENERAL MEETING

things and execute such further documents and take all such steps which in his/her/their opinion may be necessary, desirable or expedient to implement and/or give effect to the terms of such continuing connected transactions; and

6. **THAT** the estimates of the 2023 to 2025 annual transaction amounts for the related party transactions to be carried out in the ordinary and usual course of business as set out in Appendix I to the Circular be and are hereby approved, and that the Board or such persons as authorized by the Board, be authorized to enter into specific business agreements with the related parties from time to time during the years 2023 to 2025 within the limits of the estimates on the transaction amounts, for each transaction contemplated under this proposal during the ordinary and usual course of business.

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, January 20, 2023

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

(1) Circular

Details of the above proposals and resolutions to be considered at the EGM are set out in the circular of the Company dated January 20, 2023 (the “Circular”). Unless otherwise defined in this notice, capitalized terms used in this notice shall have the same meanings as those defined in the Circular.

(2) Closure of register of members and eligibility for attending the EGM

Holders of H shares of the Company (“H Shares”) are advised that the register of members will be closed from Tuesday, February 14, 2023 to Friday, February 17, 2023 (both days inclusive). Holders of H Shares whose names appear on the register of members of the Company maintained in Hong Kong at close of business on Friday, February 17, 2023 are entitled to attend the EGM. Holders of H Shares who wish to attend the EGM but have not registered the transfer documents are required to deposit the transfer document together with the relevant share certificates at the H Share registrar of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, at or before 4:30 p.m. on Monday, February 13, 2023.

(3) Proxy

Shareholders entitled to attend and vote at the EGM may appoint one or more proxies to attend, speak and vote in their stead. A proxy need not be a shareholder of the Company. The instrument appointing a proxy must be in writing under the hand of a shareholder or his attorney duly authorized in writing. If the shareholder is a corporate body, the proxy form must be either executed under its common seal or under the hand of its director(s) or duly authorized attorney(s). If the proxy form is signed by an attorney of the shareholder, the power of attorney authorizing that attorney to sign or other authorization documents must be notarised. To be valid, the proxy form together with the power of attorney or other authorization document (if any) must be lodged at the H Share registrar of the Company by the holder of H Shares by hand or by post not less than 24 hours before the time fixed for holding the EGM (i.e. not later than 2:00 p.m. on Thursday, February 16, 2023) or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude a shareholder from attending and voting in person at the EGM if he so wishes, but in such event the instrument appointing a proxy shall be deemed to be revoked. The H Share registrar of the Company is Tricor Investor Services Limited, whose address is at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

(4) Joint holder of shares

In the case of joint holders of any shares of the Company, any one of such joint holders may vote at the above Meeting, either personally or by proxy, in respect of such shares as if he were solely entitled thereto. However, if more than one of such joint holders is present at the Meeting, either personally or by proxy, the vote of the joint holder whose name stands first in the register of members of the Company and who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder(s).

(5) Voting by poll

On a poll, every member present in person or by proxy shall be entitled to one vote for each share of the Company registered in his name. The result of such poll shall be deemed to be the resolution of the Meeting at which the poll was so taken.

(6) Other issues

The EGM is expected to last for half a day. Shareholders (in person or by proxy) attending the EGM are responsible for their own transportation, catering and accommodation expenses. Shareholders or their proxies attending the EGM shall produce their identification documents. The EGM starts at 2:00 p.m.. Registration for admission to the EGM will take place from 1:00 p.m. to 2:00 p.m.. References to time and dates in this notice are to Hong Kong time and dates.

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