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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 and reply slip 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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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)

**RENEWAL OF THE CONTINUING CONNECTED TRANSACTIONS
WITH THE PRYSMIAN GROUP AND YOFC SHANGHAI
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



A letter from the Board is set out on pages 6 to 31 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 32 to 33 of this circular. A letter from the Independent Financial Adviser, TC Capital, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 34 to 66 of this circular.

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 Tuesday, January 24, 2017 at 10:00 a.m. is set out on pages 74 to 76 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 to the Company's H share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for holder of H Shares, and to the Company's Board of Directors' Office, at No. 9 Guanggu Avenue, East Lake High-tech Development Zone, Wuhan, Hubei Province, PRC (Postal code: 430073), for holder of Domestic Shares 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.

If you intend to attend the EGM in person or by proxy, you are required to complete and return the reply slip to the Company's H share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, or to the Company's Board of Directors' Office, at No. 9 Guanggu Avenue, East Lake High-tech Development Zone, Wuhan, Hubei Province, PRC (Postal code: 430073), on or before Wednesday, January 4, 2017.

* For identification purposes only

December 9, 2016

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DEFINITIONS

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

“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 Telecommunication Economy Development Center (中國華信郵電經濟開發中心), an entity incorporated in the PRC. It is a substantial shareholder and a connected person of the Company
“Company”	Yangtze Optical Fibre and Cable Joint Stock Limited Company* (長飛光纖光纜股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions”	the continuing connected transactions as contemplated under the Sales Framework Agreements and the Purchase Framework Agreements respectively, details of which are more particularly described in the paragraphs headed “2.B. Sales Transactions with the Prysmian Group and YOFC Shanghai” and “2.C. Purchase Transactions with the Prysmian Group and YOFC Shanghai” in this circular
“Directors”	the directors of the Company
“Domestic Shares”	ordinary shares of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
“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
“Draka Fibre”	Draka Comteq Fibre B.V., an indirect subsidiary of Draka Holding B.V., thus a fellow subsidiary of Draka, and is therefore an associate of Draka and a connected person of the Company

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“Draka France”	Draka Comteq France S.A.S., an indirect subsidiary of Draka Holding B.V., thus a fellow subsidiary of Draka, and is therefore an associate of Draka and a connected person of the Company
“Draka Singapore”	Singapore Cables Manufacturers Pte Ltd., an indirect subsidiary of Draka Holding B.V., thus a fellow subsidiary of Draka, and is therefore an associate of Draka and a connected person of the Company
“Existing Framework Agreements”	together, the Existing Prysmian Sales Framework Agreement, the Existing Prysmian Purchase Framework Agreement, the Existing YOFC Shanghai Sales Framework Agreement and the Existing YOFC Shanghai Purchase Framework Agreement
“Existing Prysmian Purchase Framework Agreement”	the purchase framework agreement entered into between Prysmian S.p.A. and the Company on November 13, 2014 to regulate the purchase transactions of the Group with the Prysmian Group
“Existing Prysmian Sales Framework Agreement”	the sales framework agreement entered into between Prysmian S.p.A. and the Company on November 13, 2014 to regulate the sales transactions of the Group with the Prysmian Group
“Existing YOFC Shanghai Purchase Framework Agreement”	the purchase framework agreement entered into between YOFC Shanghai and the Company on November 13, 2014 to regulate the purchase transactions of the Group with YOFC Shanghai
“Existing YOFC Shanghai Sales Framework Agreement”	the sales framework agreement entered into between YOFC Shanghai and the Company on November 13, 2014 to regulate the sales transactions of the Group with the YOFC Shanghai
“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 Tuesday, January 24, 2017 at 10:00 a.m., or any adjournment thereof, to consider and, if thought fit, approve the Continuing Connected Transactions and the proposed annual caps

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“Group”	the Company and its subsidiaries (excluding YOFC Shanghai if and where the context requires)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“H Shares”	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
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, namely Dr. Ngai Wai Fung, Dr. Ip Sik On Simon, Mr. Li Ping and Dr. Li Zhuo, established to advise the Independent Shareholders on the Continuing Connected Transactions and the proposed annual caps
“Independent Financial Adviser” or “TC Capital”	TC Capital International Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions and the proposed annual caps
“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
“Latest Practicable Date”	December 6, 2016, 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
“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

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“PRC”	the People’s Republic of China, and for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the Company’s prospectus dated November 26, 2014
“Prysmian Brazil”	Prysmian Draka Brasil S.A., now known as Prysmian Cabos e Sistemas do Brasil S.A. subsequent to its merger into Prysmian Cabos e Sistemas do Brasil S.A.. Prysmian Draka Brasil S.A. was and Prysmian Cabos e Sistemas do Brasil S.A. is each an indirect subsidiary of Prysmian S.p.A., thus a fellow subsidiary of Draka, and therefore an associate of Draka and a connected person of the Company
“Prysmian Fibras”	Prysmian Fibras Oticas Brasil Ltda, an indirect subsidiary of Prysmian S.p.A., thus a fellow subsidiary of Draka, and is therefore an associate of Draka and a connected person of the Company
“Prysmian Group”	Prysmian S.p.A. and its associates (for the avoidance of doubt, excluding YOFC Shanghai)
“Prysmian Purchase Framework Agreement”	the purchase framework agreement entered into between Prysmian S.p.A. and the Company on November 11, 2016 to regulate the purchase transactions of the Group with the Prysmian Group
“Prysmian Sales Framework Agreement”	the sales framework agreement entered into between Prysmian S.p.A. and the Company on November 11, 2016 to regulate the sales transactions of the Group with the Prysmian Group
“Prysmian Wuxi”	Prysmian Wuxi Cable Co. Ltd., an indirect subsidiary of Prysmian S.p.A., thus a fellow subsidiary of Draka, and is therefore an associate of Draka and a connected person of the Company
“Purchase Framework Agreements”	the Prysmian Purchase Framework Agreement and the YOFC Shanghai Purchase Framework Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Sales Framework Agreements”	the Prysmian Sales Framework Agreement and the YOFC Shanghai Sales Framework Agreement

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	Domestic Shares and/or H Shares
“Shareholder(s)”	holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed thereto in the Listing Rules
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Yangtze Communications”	Wuhan Yangtze Communications Industry Group Co., Ltd (武漢長江通信產業集團股份有限公司), a company 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. It is owned as to 75% by the Company and 25% by Draka, and a connected person of the Company
“YOFC Shanghai Purchase Framework Agreement”	the purchase framework agreement entered into between YOFC Shanghai and the Company on November 11, 2016 to regulate the purchase transactions of the Group with YOFC Shanghai
“YOFC Shanghai Sales Framework Agreement”	the sales framework agreement entered into between YOFC Shanghai and the Company on November 11, 2016 to regulate the sales transactions of the Group with YOFC Shanghai

* For identification purposes only

LETTER FROM THE BOARD



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 Directors:

Mr. WEN Huiguo (Chairman)
Mr. Frank Franciscus DORJEE

Non-executive Directors:

Mr. MA Jie
Mr. YAO Jingming
Mr. Philippe Claude VANHILLE
Mr. YEUNG Kwok Ki Anthony
Mr. XIONG Xiangfeng
Ms. ZHENG Huili

Independent Non-executive Directors:

Dr. NGAI Wai Fung
Dr. IP Sik On Simon
Mr. LI Ping
Dr. LI Zhuo

Registered Office:

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

Principal Place of Business in Hong Kong:

Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

December 9, 2016

To the Shareholders

Dear Sir or Madam,

**RENEWAL OF THE CONTINUING CONNECTED TRANSACTIONS
WITH THE PRYSMIAN GROUP AND YOFC SHANGHAI
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

References are made to the Prospectus and the announcement of the Company dated November 11, 2016, in relation to, inter alia, the continuing connected transactions between the Group on the one hand and the Prysmian Group and YOFC Shanghai, respectively, on the other. As the Group intends to continue carrying out the transactions in the ordinary and usual course of business of the Group, the Board entered into the Sales Framework Agreements and the Purchase Framework Agreements on November 11, 2016 and proposed that the annual caps for the sales transactions and the purchase transactions with the Prysmian Group and YOFC Shanghai be renewed in respect of the years ending December 31, 2017, 2018 and 2019.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) the information of the sale and purchase transactions with the Prysmian Group and YOFC Shanghai as respectively contemplated under the Sales Framework Agreements and the Purchase Framework Agreements and the respective proposed annual caps; (ii) a letter from TC Capital (containing its advice to the Independent Board Committee and the Independent Shareholders on the sale and purchase transactions with the Prysmian Group and YOFC Shanghai as respectively contemplated under the Sales Framework Agreements and the Purchase Framework Agreements and the respective proposed annual caps); (iii) recommendation of the Independent Board Committee to the Independent Shareholders; and (iv) a notice convening an EGM for considering and, if thought fit, approving the sale and purchase transactions with the Prysmian Group and YOFC Shanghai as respectively contemplated under the Sales Framework Agreements and the Purchase Framework Agreements and the respective proposed annual caps.

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

A. Background

References are made to the Prospectus and the announcement of the Company dated November 11, 2016 in relation to, inter alia, the continuing connected transactions between the Group on the one hand and the Prysmian Group and YOFC Shanghai, respectively, on the other.

As disclosed in the Prospectus, the Company entered into the Existing Prysmian Sales Framework Agreement with Prysmian S.p.A. and the Existing YOFC Shanghai Sales Framework Agreement with YOFC Shanghai to regulate the sales transactions with the Prysmian Group and YOFC Shanghai, respectively. The Company also entered into the Existing Prysmian Purchase Framework Agreement with Prysmian S.p.A. and the Existing YOFC Shanghai Purchase Framework Agreement with YOFC Shanghai to regulate the purchase transactions with the Prysmian Group and YOFC Shanghai, respectively.

At the time of the listing of the H Shares on the Stock Exchange in December 2014, the Stock Exchange granted a waiver to the Company in respect of, inter alia, the non-exempt continuing connected transactions between the Group on the one hand and the Prysmian Group and YOFC Shanghai, respectively, on the other from strict compliance with the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Pursuant to the waiver, the sales transactions with the Prysmian Group and YOFC Shanghai and the purchase transactions with the Prysmian Group and YOFC Shanghai are subject to the respective annual caps for the years ended December 31, 2014 and 2015 and the year ending December 31, 2016.

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Reference is also made to the announcement and circular of the Company dated May 29, 2015 and June 19, 2015, respectively, in respect of the revised annual caps for the sale and purchase transactions with the Prysmian Group and YOFC Shanghai for the year ended December 31, 2015 and the year ending December 31, 2016, in order to satisfy the business needs of the Group and the increasing demands of the Prysmian Group.

The existing annual caps (as revised, as the case may be) for the sale and purchase transactions with the Prysmian Group and YOFC Shanghai will expire on December 31, 2016. As the Group intends to continue carrying out the transactions in the ordinary and usual course of business of the Group, the Board announces that on November 11, 2016:

- (1) the Company and Prysmian S.p.A. entered into the Prysmian Sales Framework Agreement on the same terms for a term of three years commencing from January 1, 2017;
- (2) the Company and Prysmian S.p.A. entered into the Prysmian Purchase Framework Agreement on the same terms for a term of three years commencing from January 1, 2017;
- (3) the Company and YOFC Shanghai entered into the YOFC Shanghai Sales Framework Agreement on the same terms for a term of three years commencing from January 1, 2017; and
- (4) the Company and YOFC Shanghai entered into the YOFC Shanghai Purchase Framework Agreement on the same terms for a term of three years commencing from January 1, 2017,

to replace the Existing Framework Agreements upon the effective date of the Purchase Framework Agreements and the Sales Framework Agreements. The sale and purchase transactions with the Prysmian Group and YOFC Shanghai will be subject to the respective proposed annual caps for the three years ending December 31, 2017, 2018 and 2019.

B. Sales Transactions with the Prysmian Group and YOFC Shanghai

(a) 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,

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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.

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

(b) *Summary of the terms of the Prysmian Sales Framework Agreement and YOFC Shanghai Sales Framework Agreement*

Before the listing of the H Shares on the Stock Exchange, the Company entered into the Existing Prysmian Sales Framework Agreement with Prysmian S.p.A. and the Existing YOFC Shanghai Sales Framework Agreement with YOFC Shanghai to regulate the sales transactions with the Prysmian Group and YOFC Shanghai, respectively. The principal terms of the Sales Framework Agreements, which shall replace the Existing Sales Framework Agreements with effect from January 1, 2017, are summarized below:

Date	November 11, 2016
Parties	<p>The Prysmian Sales Framework Agreement was entered into between the Company and Prysmian S.p.A..</p> <p>The YOFC Shanghai Sales Framework Agreement was entered into between the Company and YOFC Shanghai.</p>
Duration	Each of the Sales Framework Agreements shall become effective from January 1, 2017 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.

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The parties to the agreement may negotiate to extend the 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.

Nature of Transactions Sale of optical fibres and optical fibre cables in respect of the Prysmian Sales Framework Agreement.

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

To implement the sales transactions contemplated under the Sales Framework Agreements, a member of the Prysmian Group or YOFC Shanghai will place specific purchase orders with the Group each time they source from the Group respectively optical fibres and optical fibre cables in case of the Prysmian Group, and optical fibres, optical fibre cables, raw materials, equipment and components in case of 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.

Pricing Basis The pricing terms of each sales transaction shall be consistent with the following guidelines:

- (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

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- (ii) the latest average export (from China) price made available to the public by the General Administration of Customs of the PRC, 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 consistent with 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.

(c) *Internal control measures*

The Local Tender Price and the PRC Tender Price will be fixed when the overseas telecommunications operators or the three 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. If the Company does not participate in the overseas bidding process, the Company can only gain access to the Local Tender Price through the Prysmian Group when the overseas telecommunications operators do not announce its tender price publicly. 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. The three state-owned telecommunications operators in the PRC, namely China Mobile Limited, China Telecom Corporation Limited and China (Unicom) Hong Kong Limited, will carry out their respective central bidding processes, on average on an annual basis, 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 three state-owned telecommunications operators in the PRC. Such announcement will be made by way of notice and served to the industry participants directly. The Local Tender Price and the PRC Tender Price are usually considered as a benchmark price for the manufacturers in determining their product prices. Typically, mobile communication networks and internet networks constructed and operated by telecommunications operators represent the demand for optical fibre cables. Given the telecommunications industry is highly concentrated, whether in the PRC or elsewhere in the world, the demands from a handful of telecommunications

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operators would be the main drivers of the market demands of the optical fibre cables and thus the tender prices determined by those telecommunications operators would largely dictate the market prices.

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. Since the product specifications required by different telecommunications operators would usually be different, therefore the tender prices announced and confirmed by different telecommunications operators will all be listed in the predetermined price range. In case where the optical fibre cables sold to the different telecommunications operators are comparable in terms of product specifications, the Company will first adopt the tender price for products supplied to China Mobile Limited for comparison when pricing. The price range will also be updated from time to time to incorporate the latest Export Price. Considering the wide variety of specifications of the Group's products, there would be circumstances where none of the Local Tender Price, the Export Price or the PRC Tender Price is applicable to the potential orders from the Prysmian Group. In addition, since the predetermined price range is set in the first quarter every year and there may be price fluctuations from time to time during the year, the Company has established a pricing committee to ensure that the product prices will be determined on a fair and reasonable basis. The pricing committee is comprised of the chief sales officer of the Company, the manager of the domestic sales division, the manager of the international sales division and the manager of the marketing and business support division. Pricing analysts will be responsible to collect and analyze the latest market information such as the tenders submitted by competitors, the published tender price, the current market supplies and the production capacities of the competitors. A monthly report will then be prepared and submitted to the pricing committee by the pricing analysts for evaluation and review. The pricing committee will convene a meeting once a month and, after taking into account the monthly report as well as the sales and purchase orders of the Group received and accepted from independent third parties during the preceding month, will confirm if any updates have to be made to the predetermined price range.

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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 as updated from time to time. 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 general manager 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. 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 as well as within the predetermined price range as updated from time to time. Where the price of any order is below the PRC Tender Price or the minimum value of the predetermined price range, it shall be approved by the chief sales officer and the general manager of the Company before such order is accepted.

The chief sales officer and the general manager will consider if there are any special circumstances which justify the deviations from the predetermined price range such as the competitor's tender price, the specific pricing requirements set by the telecommunications operators which invite for tenders and the quantity of the products required.

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(d) Historical amounts and the existing annual caps

The table below sets out, in relation to the Prysmian Group, members of which are connected persons of the Company, and YOFC Shanghai, which is a connected subsidiary of the Company by virtue of Draka's 25% equity holding in it, the historical transaction amounts received by the Company during the periods indicated below and the respective existing annual caps (as aggregated):

Seller	Purchaser	Goods	For the year ended		Nine months
			December 31, 2014	2015	ended September 30, 2016
			(RMB'000)		
			(audited)		(unaudited)
The Existing Prysmian Sales Framework Agreement					
The Company	Draka Fibre	Optical fibres	Nil	Nil	Nil
	Draka Singapore	Optical fibre cables	16,049	13,594	27,135
	Prysmian Wuxi	Optical fibres and optical fibre cables	40,564	57,941	18,888
	Prysmian Brazil	Optical fibres and optical fibre cables	5,585	Nil	Nil
The Existing YOFC Shanghai Sales Framework Agreement					
The Company	YOFC Shanghai	Optical fibres, optical fibre cables, raw materials, equipment and components	215,918	242,746	236,715
		Sub-total of historical transactions with both the Prysmian Group and YOFC Shanghai	<u>278,116</u>	<u>314,281</u>	<u>282,738</u>
		Existing annual caps (as aggregated for the relevant members of the Prysmian Group and YOFC Shanghai)	<u>331,000</u>	<u>402,000</u>	<u>433,000</u>

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Note:

- (1) The historical transaction amounts for the sales transactions between the Company and each of Draka Fibre, Draka Singapore, Prysmian Wuxi and Prysmian Brazil, being relevant members of the Prysmian Group, and YOFC Shanghai did not exceed each of their existing individual annual caps for the years ended December 31, 2014 and 2015. Further details of the historical transactions amounts for the sales transactions with Draka Fibre, Draka Singapore, Prysmian Wuxi, Prysmian Brazil and YOFC Shanghai are set out in the previous annual reports of the Company. As at September 30, 2016, the historical transaction amounts for the sales transactions between the Company and each of Draka Fibre, Draka Singapore, Prysmian Wuxi, Prysmian Brazil and YOFC Shanghai have not exceeded each of their existing individual annual caps for the year ending December 31, 2016.

(e) Proposed new annual caps

The Board proposes that the below proposed annual caps be set for the sales transactions with the Prysmian Group and YOFC Shanghai, respectively, in respect of the years ending December 31, 2017, 2018 and 2019.

Seller	Purchaser	Goods	Proposed Annual Cap (RMB'000)		
			For the year ending December 31,		
			2017	2018	2019
The Group	Prysmian Group	Optical fibres and optical fibre cables	229,000	254,000	282,000
	YOFC Shanghai	Optical fibres, optical fibre cables, raw materials, equipment and components	408,000	448,000	494,000
		Sub-total	637,000	702,000	776,000

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

- (i) the historical transaction amounts with the Prysmian Group, including its historical adhoc demands on special types of optical cables;
- (ii) the projected expansion in the existing production capacities of the Group, thereby allowing the Group to serve more fully the demands from the Prysmian Group, especially those from Prysmian Wuxi. The Group has installed a new PCVD production line at its Wuhan headquarters. The Group also continues to construct its new production facility in YOFC Science & Technology Park in Qianjiang in order to expand its production

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capacity, the completion of which can lead to an increase in the production of 500 tons, 1,000 tons and 1,000 tons optical fibre preforms in the next three years, respectively, which can be further used in the production of optical fibres; and an increase in the production of 10,000,000 km optical fibres starting from 2017. At the same time, the Group expects to realize an increase in the production of 6,000,000 km optical fibres from its production base in Lin'an, Zhejiang starting from 2017. Given China market has been in shortage of supply on optical fibre preforms and optical fibres since late 2015, the Group has strategically adjusted its production as well as sales plan. The self-produced and externally sourced optical fibre preforms have been used to produce the Group's own optical fibre products in order to serve the needs and demands of the PRC customers instead of producing optical fibre products ordered by the Prysmian Group. Also, the Group did not have any surplus optical fibres which could be supplied to the Prysmian Group as its optical fibres have been used in the production of optical fibre cables ordered by its own customers. Therefore, despite of the persistently strong demand from Prysmian Wuxi, as evidenced from its indicative demand communicated with the Group from time to time, the historical transaction amounts with Prysmian Wuxi did not record a significant increase in 2015 and 2016. With the continued increase in the production capacities over the next three years, the Group expects to be able to redeploy its production resources and satisfy the business needs from Prysmian Wuxi. Prysmian Wuxi has also indicated to the Company that it expects its demand will continue to grow despite of its current production capacity because it may purchase optical fibres and optical fibre cables from the Group for resale to other members of the Prysmian Group located outside of China;

- (iii) the continuing increase in demand for optical fibre cables by Draka Singapore as a result of the construction of broadband and 4G network by the Singapore government. Draka Singapore has received increasing number of purchase orders from the three major telecommunication operators in Singapore since the Singapore government launched its Smart Nation" program in 2014. Prysmian Wuxi, one of the major optical fibre cable suppliers of Draka Singapore, is not able to fulfill the increasing demand for optical fibre cables of Draka Singapore due to its limited production capacity. Despite of the temporary reduction in the transaction amount with Draka Singapore in 2015, the Company has witnessed significant increase in the amount of purchase orders received from Draka Singapore in the first three quarters of 2016 and the Company expects that the growth trend will continue to be strong, though such growth trend may gradually slow down after 2018;

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- (iv) the expansion of the Group's international presence. More overseas plants and sales offices have been established by the Group, thus allowing the Group to better serve its overseas buyers, including the Prysmian Group. In particular, the indicative demand for optical fibres and optical fibre cables from Prysmian Brazil appears to be growing considering certain of its South American projects will source optical fibre cables from the Group. The optical fibre cables to be supplied to Prysmian Brazil are primarily ADSS optical fibre cables, the selling prices of which are relatively higher;
- (v) the historical transaction amounts with YOFC Shanghai. The annual caps for the years ended December 31, 2014 and 2015 were nearly utilized in full and the transaction amount for the nine months ended September 30, 2016 has almost reached the existing annual cap for the year ending December 31, 2016;
- (vi) the recent increase in the utilization of the production capacity of YOFC Shanghai and the expected increase in the production capacity of YOFC Shanghai in 2018 and 2019 given the planned equipment and technology enhancement. YOFC Shanghai requires optical fibres as raw materials for production of its optical fibre cable products and so long as the Group could produce and supply the type of optical fibres as required, YOFC Shanghai generally would source all its required optical fibres from the Group given the product compatibility. The optical fibres to be supplied to YOFC Shanghai are partly multi-modes optical fibres, the selling prices of which are relatively higher; and
- (vii) the increasing trend of the selling prices of optical fibres in the PRC market. The launch of the "Broadband China" national strategy by the Chinese Government and fibre-to-the-home by the three state-owned telecommunications network operators continues. Together with some other new initiatives announced by the Chinese Government such as "Internet +", raising network speed, lowering data tariffs, the enhancement of network capabilities as well as the anti-dumping duties imposed on imported preforms against those foreign suppliers from Japan and United States since August 2015, China market is in shortage of supply in optical fibre preforms and optical fibres starting from the last few months of 2015. The shortage situation has not been mitigated in 2016. The Company expects that such shortage would not be resolved in a short period of time and a prolonged shortage would continue to push up the selling price.

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As compared with the existing annual cap for the year ending December 31, 2016 as well as the historical transaction amounts, the proposed annual cap for the year ending December 31, 2017 increases substantially because the production capacities of the Group will be expanded as more particularly described in paragraph (ii) above. The proposed annual cap for the year ending December 31, 2017 is determined based on the assumption that the production capacities (as expanded) of the Group would be fully utilized given the strong demands from the Prysmian Group and YOFC Shanghai as more particularly explained in paragraphs (ii), (iii), (iv) and (vi) above. The proposed annual caps for the years ending December 31, 2018 and 2019 are estimated to increase rather steadily and moderately based on the general inflation and the increase in selling price of optical fibres as explained in paragraph (vii) above. In addition, considering the enhancement in production technologies and equipment, the Group's production capacities would still slightly increase in 2018 and 2019 although the Group expects to reach its full production capacities (as expanded) in 2017.

Since the Prysmian Group and YOFC Shanghai 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 the Prysmian Group as contemplated under the Prysmian Sales Framework Agreement and the sales transactions with YOFC Shanghai as contemplated under the YOFC Shanghai 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 the Prysmian Group and YOFC Shanghai are aggregated, and such aggregate amount is used when calculating the relevant percentage ratios under Chapter 14A of the Listing Rules.

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 Sales Framework Agreements.

C. Purchase Transactions with the Prysmian Group and YOFC Shanghai

(a) 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

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

(b) Summary of the terms of the Prysmian Purchase Framework Agreement and the YOFC Shanghai Purchase Framework Agreement

Before the listing of the H Shares on the Stock Exchange, the Company entered into the Existing Prysmian Purchase Framework Agreement with Prysmian S.p.A. and the Existing YOFC Shanghai Purchase Framework Agreement with YOFC Shanghai to regulate the purchase transactions with the Prysmian Group and YOFC Shanghai, respectively. The principal terms of the Purchase Framework Agreements, which shall replace the Existing Purchase Framework Agreements with effect from January 1, 2017, are summarized below:

Date	November 11, 2016
Parties	<p>The Prysmian Purchase Framework Agreement was entered into between the Company and Prysmian S.p.A..</p> <p>The YOFC Shanghai Purchase Framework Agreement was entered into between the Company and YOFC Shanghai.</p>
Duration	Each of the Purchase Framework Agreements shall become effective from January 1, 2017 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.

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The parties to the agreement may negotiate to extend the 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.

Nature of Transactions Purchases of equipment parts for optical fibre production, optical fibre preforms, optical fibres and optical fibre cables in respect of the Prysmian Purchase Framework Agreement.

Purchases of optical fibres, optical fibre cables and spare parts in respect of the YOFC Shanghai Purchase Framework Agreement.

To implement the purchase transactions contemplated under the Purchase Framework Agreements, the Group will place specific purchase orders with the Prysmian Group or YOFC Shanghai each time the Group purchases optical fibre preforms, optical fibres, optical fibre cables and equipment parts from the Prysmian Group and 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.

Pricing Basis The pricing terms of each purchase transaction shall be consistent with the following guidelines:

- (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

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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 the Prysmian Group or YOFC Shanghai are fair and reasonable and comparable to those offered by unrelated third parties.

(c) *Internal control measures*

The Purchase PRC Tender Price will be fixed when the three state-owned telecommunications operators in the PRC, namely China Mobile Limited, China Telecom Corporation Limited and China (Unicom) Hong Kong Limited, have completed their central bidding process and announced the bidding results. The central bidding process will be carried out on average on an annual basis, the Purchase PRC Tender Price will be announced to industry participants upon completion of the bidding process. Such announcement will be made by way of notice and served to the industry participants directly. The Purchase PRC Tender Price is usually considered as a benchmark price for the PRC manufacturers in determining their product prices. Typically, mobile communication networks and internet networks constructed and operated by telecommunications operators represent the demand for optical fibre cables. Given the PRC telecommunications industry is highly concentrated, the demands from the three state-owned telecommunications operators would be the main drivers of the market demands of the optical fibre cables and thus the tender prices determined by three state-owned telecommunications operators would largely dictate the market prices.

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. Since the predetermined price range is set at the beginning of each financial year and there may be price fluctuations from time to time during the year, the head of supply chain department will also consider the updates made by the pricing committee to the predetermined price range for the sales of the Group’s products. If the head of supply chain department considers those updates to be applicable and

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relevant, he/she will also update the predetermined price range for the purchases of optical fibre preforms, optical fibres and optical fibre cables. 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 as updated from time to time. 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 general manager 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 three 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 as well as within the predetermined price range as updated from time to time.

The head of supply chain department and the general manager will consider if there are any special circumstances which justify the deviations from the predetermined price range such as the urgency of the products or equipment required, transportation costs and after-sales support.

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(d) Historical amounts and the existing annual caps

The table below sets out, in relation to the Prysmian Group, members of which are connected persons of the Company, and YOFC Shanghai, which is a connected subsidiary of the Company by virtue of Draka's 25% equity holding in it, the historical transaction amounts paid by the Company during the periods indicated below and the respective existing annual caps (as aggregated):

Purchaser	Seller	Goods	For the year ended		Nine months
			December 31, 2014	2015	ended September 30, 2016
			(RMB'000)		
			(audited)		(unaudited)
The Existing Prysmian Purchase Framework Agreement					
The Company	Draka Fibre	Equipment parts for optical fibre production, optical fibres and optical fibre cables	10,132	27,746	48,990
	Draka France	Optical fibre preforms and optical fibres	7,901	11,699	29,870
	Prysmian Wuxi	Optical fibre cables	755 ⁽¹⁾	5,481	Nil
The Existing YOFC Shanghai Purchase Framework Agreement					
The Company	YOFC Shanghai	Optical fibres, optical fibre cables and spare parts	184,833	224,493	210,849
		Sub-total of historical transactions with both the Prysmian Group and YOFC Shanghai ⁽²⁾	<u>203,621</u>	<u>269,419</u>	<u>289,709⁽²⁾</u>
		Existing annual caps (as aggregated for the relevant members of the Prysmian Group and YOFC Shanghai) ⁽³⁾	<u>307,000</u>	<u>362,000</u>	<u>395,000</u>

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Notes:

- (1) The purchase transactions between the Company and Prysmian Wuxi have not been taken into account when the existing annual cap for the year ended December 31, 2014 was determined. Reference is made to the announcement and circular of the Company dated May 29, 2015 and June 19, 2015, respectively, in respect of the revised annual caps for the purchase transactions with the Prysmian Group for the year ended December 31, 2015 and the year ending December 31, 2016, pursuant to which the purchase transactions between the Company and Prysmian Wuxi have been taken into account when the existing annual caps (as revised) for the year ended December 31, 2015 and the year ending December 31, 2016 were set.
- (2) Such total transaction amounts did not include the ad hoc purchase of optical fibres from Prysmian Fibras amounting to RMB4,923,000 during the nine months ended September 30, 2016. Such purchase transactions were not taken into account when setting the annual caps for the purchase transactions between the Group and the Prysmian Group. Since each of the relevant percentage ratios under the Listing Rules in respect of such purchase transactions is less than 0.1%, such purchase transactions constitute de minimis transactions which are exempt from the annual reporting, annual review, announcement, circular and independent shareholders' approval requirements under Rule 14A.76(1) of the Listing Rules.
- (3) The historical transaction amounts for the purchase transactions between the Company and each of Draka Fibre, Draka France and Prysmian Wuxi, being relevant members of the Prysmian Group, and YOFC Shanghai did not exceed each of their existing individual annual caps for the years ended December 31, 2014 and 2015. Further details of the historical transactions amounts for the purchase transactions with Draka Fibre, Draka France, Prysmian Wuxi and YOFC Shanghai are set out in the previous annual reports of the Company. As at September 30, 2016, the historical transaction amounts for the purchase transactions between the Company and each of Draka Fibre, Draka France, Prysmian Wuxi and YOFC Shanghai have not exceeded each of their existing individual annual caps for the year ending December 31, 2016.

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(e) *Proposed new annual caps*

The Board proposes that the below proposed annual caps be set for the purchase transactions with the Prysmian Group and YOFC Shanghai, respectively, in respect of the years ending December 31, 2017, 2018 and 2019.

Purchaser	Seller	Goods	Proposed Annual Cap (RMB'000)		
			For the year ending December 31,		
			2017	2018	2019
The Group	Prysmian Group	Equipment parts for optical fibre production, optical fibres, optical fibre cables and optical fibre preforms	270,000	305,000	306,000
	YOFC Shanghai	Optical fibres, optical fibre cables and spare parts	830,000	910,000	1,000,000
		Sub-total	<u>1,100,000</u>	<u>1,215,000</u>	<u>1,306,000</u>

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

- (i) the historical transaction amounts with the Prysmian Group. As a result of the PRC market shortage of optical preforms and fibres starting from late 2015, the strategic adjustment of the Company's production plan has resulted in a decrease of demands for Draka-made preforms and optical fibres from the Prysmian Group in 2015. Along with the expansion of the production capacities of the Group and the redeployment of production resources, the Group has started to restore its purchase plan of the products from the Prysmian Group and by the end of the third quarters in 2016, more than 80% of the existing annual cap for the purchase transactions with Draka Fibre and Draka France has been used up;
- (ii) the overseas business expansion of the Group. The Group has established joint ventures in Myanmar, Indonesia and South Africa, respectively, and the Group's development strategy is to continue to build up its international presence in the near future. Considering the geographical proximity, transportation costs and overseas selling prices of optical fibres and optical fibre preforms, the overseas production plants of the Group expects to purchase equipment, optical fibres,

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optical fibre cables and optical fibre preforms from the Prysmian Group from time to time. Based on the projected production capacity of the Group's production plant in South Africa and the current progress of the construction of such production plant, it is expected that the Group may purchase a maximum of approximately 700,000 km, 1,200,000 km and 1,000,000 km optical fibres amounting to approximately RMB35 million, RMB60 million and RMB50 million annually from the Prysmian Group in the next three years, respectively;

- (iii) the transformation of YOFC Shanghai into an OEM plant. The sales functions and channels across different subsidiaries of the Group have been consolidated and all the sales and marketing resources have currently been centralized at the Company's Wuhan headquarters so as to further enhance the Group's brand awareness and optimize cost efficiency. In line with such strategy, YOFC Shanghai no longer employs any sales team and all its sales would rely on the Company and made through the Company, thereby resulting in a very substantial increase in the amount of products expected to be purchased by the Company from YOFC Shanghai;
- (iv) the increase in demand for Draka-made preforms by Shenzhen SDGI Optical Fibre Co., Limited, a joint venture of the Company in which the Company owns 35.36% equity interest. Given the geographical delineation of sales market between the Group and the Prysmian Group under the Optical Fibre Technology Cooperation Agreement, Shenzhen SDGI Optical Fibre Co., Limited has to source its Draka-made preforms through the Company. One of the existing major suppliers of Shenzhen SDGI Optical Fibre Co., Limited could no longer supply the required optical fibre preforms in full, thus Shenzhen SDGI Optical Fibre Co., Limited has to increase its demand for Draka-made preforms, therefore increasing the Group's amount of purchase from the Prysmian Group;
- (v) the demand of the Group to purchase a specific type of optical fibre preforms from Prysmian Fibras;
- (vi) the capacity backup for optical fibre cables in view of the long-term partnership between the Group and the Prysmian Group. The Prysmian Group, using the same PCVD technology as the Company which is capable of producing optical fibre preforms with more accurate refractive index profiles, is able to guarantee the quality and reliability of optical fibre cables to be supplied to the Group and best suits the needs of the Group; and
- (vii) the demand for parts and components from Draka Fibre which are purchased for replacement resulting from the normal wear and tear of equipment.

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As compared with the existing annual cap for the year ending December 31, 2016 as well as the historical transaction amounts, the proposed annual cap for the year ending December 31, 2017 increases substantially due to the transformation of YOFC Shanghai into an OEM plant as more particularly explained in paragraph (iii) above. The proposed annual cap for the year ending December 31, 2017 is determined largely based on the existing production capacity of YOFC Shanghai as fully utilized and our demands for the products from the Prysmian Group as more particularly described in paragraphs (ii), (iv) and (v) above. The proposed annual caps for the years ending December 31, 2018 and 2019 are estimated to increase rather steadily and moderately based on the general inflation as well as the possible increase in the production capacity of YOFC Shanghai given the enhancement in production technologies and equipment.

Since the Prysmian Group and YOFC Shanghai 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 the Prysmian Group as contemplated under the Prysmian Purchase Framework Agreement and the purchase transactions with YOFC Shanghai as contemplated under the YOFC 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 the Prysmian Group and YOFC Shanghai are aggregated, and such aggregate amount is used when calculating the relevant percentage ratios under Chapter 14A of the Listing Rules.

D. Reasons for and Benefits of the Continuing Connected Transactions

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

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The Board has passed resolutions to approve, among others, the Continuing Connected Transactions and the proposed annual caps on October 28, 2016. None of the Directors has any material interest in the Continuing Connected Transactions or the proposed annual caps or is required to abstain from voting on the Board resolutions in relation to the Continuing Connected Transactions and the proposed annual caps except for Mr. Philippe Claude Vanhille. Mr. 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. Vanhille is also an executive director of Draka and holds several positions in certain subsidiaries of Prysmian S.p.A. and a joint venture owned as to 50% by the Prysmian Group. Accordingly, Mr. Vanhille has abstained from voting on the resolutions in respect of the Continuing Connected Transactions and the proposed annual caps.

E. Information on the Company, Prysmian S.p.A. and YOFC Shanghai

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.

Prysmian S.p.A. is listed on the Milan Stock Exchange (Stock Code: PRYMY). Prysmian S.p.A. (together with its group companies) is a world leader in the energy and telecom cables and systems industry. In the telecom sector, Prysmian S.p.A. (together with its group companies) 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.

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

F. Listing Rules Implications

As at the Latest Practicable Date, Draka holds approximately 26.36% 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 owned by Prysmian S.p.A. as to 52.165% and Prysmian Cavi e Sistemi S.r.l. (a wholly-owned subsidiary of Prysmian S.p.A.) as to 47.835%. Prysmian S.p.A. and its associates are, therefore, connected persons of the Company. YOFC Shanghai is a non-wholly owned subsidiary 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.

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

3. 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 Tuesday, January 24, 2017 at 10:00 a.m. is set out on pages 74 to 76 of this circular. At the EGM, ordinary resolutions will be proposed to approve the sale and purchase transactions with the Prysmian Group and YOFC Shanghai as respectively contemplated under the Sales Framework Agreements and the Purchase Framework Agreements and the respective proposed annual caps.

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

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 Sunday, December 25, 2016 to Tuesday, January 24, 2017 (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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, at or before 4:30 p.m. on Friday, December 23, 2016. Holders of H Shares whose names appear on the H Shares register of members of the Company at the close of business on Friday, December 23, 2016 are entitled to attend the EGM.

A reply slip and a proxy form for use at the EGM is enclosed with 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 to the Company's H share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for holder of H Shares and to the Company's Board of Directors' Office at No. 9 Guanggu Avenue, East Lake High-tech Development Zone, Wuhan, Hubei Province, PRC (Postal code: 430073) for holder of Domestic Shares 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

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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. If you intend to attend the EGM in person or by proxy, you are required to complete and return the reply slip to the Company's H share registrar, Tricor Investor Services Limited, for holder of H Shares or to the Company's Board of Directors' Office for holder of Domestic Shares, at the above addresses, on or before Wednesday, January 4, 2017.

4. VOTING BY WAY OF POLL

Under the Listing Rules, the sale and purchase transactions with the Prysmian Group and YOFC Shanghai as respectively contemplated under the Sales Framework Agreements and the Purchase Framework Agreements and the respective proposed annual caps are subject to the approval of the Independent Shareholders. Any connected person with a material interest in the Continuing Connected Transactions, and any Shareholder with a material interest in the Continuing Connected Transactions and its associates (as defined in the Listing Rules), shall abstain from voting on the resolutions approving the sale and purchase transactions with the Prysmian Group and YOFC Shanghai as respectively contemplated under the Sales Framework Agreements and the Purchase Framework Agreements and the respective proposed annual caps. Accordingly, Draka and its associates will be required to abstain from voting on the ordinary resolutions to approve the sale and purchase transactions with the Prysmian Group and YOFC Shanghai as respectively contemplated under the Sales Framework Agreements and the Purchase Framework Agreements and the respective proposed annual caps at the EGM.

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.

5. RECOMMENDATION

TC Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the sale and purchase transactions with the Prysmian Group and YOFC Shanghai as respectively contemplated under the Sales Framework Agreements and the Purchase Framework Agreements and the respective proposed annual caps. TC 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 proposed annual caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, TC Capital advises the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favor of the relevant resolutions to be proposed at the EGM. The text of the letter from TC 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 34 to 66 of this circular.

LETTER FROM THE BOARD

The Independent Board Committee, having taken into account the advice of TC 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 proposed annual caps 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 sale and purchase transactions with the Prysmian Group and YOFC Shanghai as respectively contemplated under the Sales Framework Agreements and the Purchase Framework Agreements and the respective proposed annual caps, as detailed in the notice of the EGM set out on pages 74 to 76 of this circular. The text of the letter from the Independent Board Committee is set out on pages 32 to 33 of this circular.

The Directors (including the independent non-executive Directors) are of the view that the Continuing Connected Transactions, 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 are fair and reasonable and in the interests of the Company and its Shareholders as a whole. The Directors (including the independent non-executive Directors) are of the view that the proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favor of the ordinary resolutions to be proposed at the EGM to approve the sale and purchase transactions with the Prysmian Group and YOFC Shanghai as respectively contemplated under the Sales Framework Agreements and the Purchase Framework Agreements and the respective proposed annual caps.

6. FURTHER INFORMATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on pages 32 to 33 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 34 to 66 of this circular.

Your attention is also drawn to the general information set out in the Appendix 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
Wen Huiguo
Chairman

* For identification purposes only



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)

December 9, 2016

To the Independent Shareholders

Dear Sir or Madam,

We refer to the circular of the Company to the Shareholders dated December 9, 2016 (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 Continuing Connected Transactions are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole and whether the proposed annual caps are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

TC Capital has been appointed by the Company as the Independent Financial Adviser to advise us and the Independent Shareholders in respect of the Continuing Connected Transactions and the proposed annual caps.

We wish to draw your attention to the letter from the Board set out on pages 6 to 31 of the Circular which contains, among others, information on the Continuing Connected Transactions and the proposed annual caps, as well as the letter from the Independent Financial Adviser set out on pages 34 to 66 of the Circular which contains its advice and recommendations in respect of the Continuing Connected Transactions and the proposed annual caps 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 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 the Shareholders as a whole, and that the proposed annual caps 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.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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

Dr. NGAI Wai Fung
Independent
non-executive Director

Dr. IP Sik On Simon
Independent
non-executive Director

Mr. LI Ping
Independent
non-executive Director

Dr. LI Zhuo
Independent
non-executive Director

* *For identification purposes only*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from TC Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the sale and purchase transactions with the Prysmian Group and YOFC Shanghai and the respective proposed annual caps, for the purpose of inclusion in this circular.



December 9, 2016

*The Independent Board Committee and the Independent Shareholders of
Yangtze Optical Fibre and Cable Joint Stock Limited Company*
長飛光纖光纜股份有限公司*

Dear Sirs,

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

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the sale and purchase transactions with the Prysmian Group and YOFC Shanghai and the respective proposed annual caps, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated December 9, 2016 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used herein shall have the same meanings as defined in the Circular unless the context requires otherwise.

Reference is made to the Prospectus in relation to, among other matters, the continuing connected transactions between the Group and the Prysmian Group and YOFC Shanghai respectively.

As disclosed in the Prospectus, the Company entered into the Existing Prysmian Sales Framework Agreement with Prysmian S.p.A. and the Existing YOFC Shanghai Sales Framework Agreement with YOFC Shanghai to regulate the sales transactions with the Prysmian Group and YOFC Shanghai respectively. The Company also entered into the Existing Prysmian Purchase Framework Agreement with Prysmian S.p.A. and the Existing YOFC Shanghai Purchase Framework Agreement with YOFC Shanghai to regulate the purchase transactions with the Prysmian Group and YOFC Shanghai respectively.

* For identification purposes only

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

At the time of the listing of the H Shares on the Stock Exchange in December 2014, the Stock Exchange granted a waiver to the Company in respect of, inter alia, the non-exempt continuing connected transactions between the Group and the Prysmian Group and YOFC Shanghai respectively from strict compliance with the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Pursuant to the waiver, the sales transactions with the Prysmian Group and YOFC Shanghai and the purchase transactions with the Prysmian Group and YOFC Shanghai are subject to the respective annual caps for the three years ending December 31, 2016.

Reference is also made to the circular of the Company dated June 19, 2015 in relation to the revision of the annual caps for the sale and purchase transactions between the Group and the Prysmian Group and YOFC Shanghai respectively for the two years ending December 31, 2016, in order to satisfy the business needs of the Group and the increasing demands of the Prysmian Group.

The existing annual caps (as revised, as the case may be) for the sale and purchase transactions with the Prysmian Group and YOFC Shanghai will expire on December 31, 2016. As the Group intends to continue carrying out the transactions in the ordinary and usual course of business of the Group, on November 11, 2016:

- (1) the Company and Prysmian S.p.A. entered into the Prysmian Sales Framework Agreement on the same terms for a term of three years commencing from January 1, 2017;
- (2) the Company and Prysmian S.p.A. entered into the Prysmian Purchase Framework Agreement on the same terms for a term of three years commencing from January 1, 2017;
- (3) the Company and YOFC Shanghai entered into the YOFC Shanghai Sales Framework Agreement on the same terms for a term of three years commencing from January 1, 2017; and
- (4) the Company and YOFC Shanghai entered into the YOFC Shanghai Purchase Framework Agreement on the same terms for a term of three years commencing from January 1, 2017

to replace the Existing Framework Agreements upon the effective date of the Purchase Framework Agreements and the Sales Framework Agreements. The sale and purchase transactions with the Prysmian Group and YOFC Shanghai will be subject to the respective proposed annual caps for the three years ending December 31, 2019.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, Draka held approximately 26.36% of the total issued share capital of the Company and was therefore a substantial shareholder of the Company. Draka is wholly owned by Draka Holding B.V., which is in turn owned by Prysmian S.p.A. as to 52.165% and Prysmian Cavi e Sistemi S.r.l. (a wholly-owned subsidiary of Prysmian S.p.A.) as to 47.835%. Prysmian S.p.A. and its associates are, therefore, connected persons of the Company. YOFC Shanghai is a non-wholly owned subsidiary 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 and the Prysmian Group and YOFC Shanghai respectively constitute continuing connected transactions of the Company under the Listing Rules.

Since at least one of the relevant percentage ratios under the Listing Rules in respect of (1) the sales transactions with the Prysmian Group and YOFC Shanghai as contemplated under the Sales Framework Agreements, as aggregated, and (2) the purchase transactions with the Prysmian Group and YOFC Shanghai as contemplated under the Purchase Framework Agreements, as aggregated, in each case is expected to be more than 5% on an annual basis, the sales transactions as contemplated under the Sales Framework Agreements and the purchase transactions as contemplated under the Purchase Framework Agreements are respectively subject to the annual reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Draka and its associates will abstain from voting on the ordinary resolutions to approve the sale and purchase transactions with the Prysmian Group and YOFC Shanghai as respectively contemplated under the Sales Framework Agreements and the Purchase Framework Agreements and the respective proposed annual caps at the EGM.

The Independent Board Committee comprising all of the independent non-executive Directors, namely Dr. Ngai Wai Fung, Dr. Ip Sik On Simon, Mr. Li Ping and Dr. Li Zhuo, has been established to advise the Independent Shareholders as to whether the terms of (i) the Prysmian Sales Framework Agreement; (ii) the YOFC Shanghai Sales Framework Agreement; (iii) the Prysmian Purchase Framework Agreement; and (iv) the YOFC Shanghai Purchase Framework Agreement and the respective proposed annual caps are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and whether the sale and purchase transactions with the Prysmian Group and YOFC Shanghai 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; and how the Independent Shareholders should vote on the relevant resolutions at the EGM. As the Independent Financial Adviser, our role is to give an independent opinion and recommendation to the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to the independence of us.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have considered, among other things, (i) the Circular; (ii) the Prysmian Sales Framework Agreement; (iii) the YOFC Shanghai Sales Framework Agreement; (iv) the Prysmian Purchase Framework Agreement; (v) the YOFC Shanghai Purchase Framework Agreement; (vi) the annual report of the Company for the year ended December 31, 2015 (the “**2015 Annual Report**”); and (vii) the interim report of the Company for the six months ended June 30, 2016 (the “**2016 Interim Report**”). We have also relied on all relevant information, opinions and facts supplied and represented by the Company, the Directors and the management of the Company. We have assumed that all such information, opinions, facts and representations, for which the Company, the Directors and the management of the Company are fully responsible, were true, accurate and complete in all respects as at the date hereof and may be relied upon. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, and the Company has confirmed that no material facts have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, nor have we conducted an independent investigation into the business, affairs, operations, financial position or future prospects of the Company, Prysmian S.p.A., YOFC Shanghai and their respective subsidiaries and/or associated companies.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have taken into consideration the following principal factors and reasons:

I. Background information of the Company, Draka, Prysmian S.p.A. and YOFC Shanghai

a) 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The table below shows certain financial information of the Group for the two years ended December 31, 2015 (“FY2014” and “FY2015”, respectively) and the six months ended June 30, 2016, as extracted from the 2015 Annual Report and the 2016 Interim Report:

	For the year ended		For the six months ended	
	December 31,		June 30,	
	2014	2015	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
Total revenue	5,676,782	6,731,114	3,049,579	3,677,647
– <i>Optical fibres and optical fibre preforms</i>	3,229,652	3,756,477	1,860,047	1,929,184
– <i>Optical fibre cables</i>	1,989,433	2,643,275	1,047,541	1,574,229
– <i>Others</i>	457,697	331,362	141,991	174,234
Gross profit	1,087,558	1,304,210	588,033	807,313
Net profit	464,037	558,234	300,358	343,859

We note from the table above that the revenue of the Group increased by approximately 18.6% from approximately RMB5,676.8 million for FY2014 to approximately RMB6,731.1 million for FY2015 and increased by approximately 20.6% from approximately RMB3,049.6 million for the six months ended June 30, 2015 to approximately RMB3,677.6 million for the six months ended June 30, 2016, mainly due to the ramp up of 4G infrastructure construction by the state-owned telecommunications network operators and the ongoing national initiatives such as “Broadband China” and “Internet plus” as announced by the PRC government, which provide positive catalysts and bring in additional momentum, in particular, the demand for optical fibres and optical fibre cables. As advised by the Directors, together with some other initiatives announced by the PRC government such as raising network speed, lowering data tariffs, the enhancement of network capabilities as well as the anti-dumping duties imposed on imported preforms against those foreign suppliers from Japan and the United States, the PRC market is in shortage of supply in optical fibre preforms and optical fibres starting from the last few months of 2015. Currently, the shortage situation has not been mitigated and the Company expects that the optical fibres and optical fibre cables market in the PRC will remain promising in the foreseeable future. The Company will try its best endeavour to ensure the operation of PT. Yangtze Optical Fibre Indonesia, Yangtze Optical Fibre (Qianjiang) Co., Ltd. and Ally First Optical Fibre and Cable Co., Ltd. as or ahead of scheduled, and to ensure the successful implementation of the capacity expansion projects in order to seize the domestic and overseas market opportunities. Having reviewed the Guidance Opinion on Accelerating the Construction of High-speed Broadband Network to Promote Network Speed and to Reduce Charges issued by the General Office of the State Council (國務院辦公廳關於加快高速寬帶網絡建設推進網絡提速降費的指導意見) (國辦發[2015] 41號) in May 2015

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

regarding the initiatives announced by the PRC government and the Announcement on Anti-Dumping Tax imposed on imported optical fibre preforms manufactured in Japan and the United States issued by the General Administration of Customs of the PRC (中華人民共和國海關總署) (海關總署公告2015年第39號 (關於對進口原產於日本和美國的光纖預製棒徵收反傾銷稅的公告)) dated August 18, 2015 regarding the anti-dumping tax (both of which will be further discussed in the section assessing the fairness and reasonableness of the proposed annual caps for the sales transactions with the Prysmian Group and the purchase transactions with YOFC Shanghai below), we concur with the Directors that there will be opportunities for the market of optical fibres and optical fibre products in the upcoming future.

b) *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 26.36% of the total issued share capital of the Company.

c) *Prysmian S.p.A.*

Prysmian S.p.A. is listed on the Milan Stock Exchange (stock code: PRYMY). Prysmian S.p.A. (together with its group companies) is a world leader in the energy and telecom cables and systems industry. In the telecom sector, Prysmian S.p.A. (together with its group companies) 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.

d) *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.

II. Background of and reasons for the sale and purchase transactions with the Prysmian Group and YOFC Shanghai

As discussed in the Letter from the Board, 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 optical fibre cables with wide varieties of specifications that are customised to customers' needs. In addition to the customised optical fibre preforms, optical fibres and optical fibre 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 Prysmian Group (in the case of the sales transactions)/the Group (in the case of the purchase

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

transactions), depending on the needs of their respective customers, production plans and business strategies, would purchase from the Group (in the case of the sales transactions)/the Prysmian Group (in the case of the purchase transactions) the optical fibre preforms (in the case of the purchase transactions only), optical fibres and optical fibre cables for which they either do not manufacture themselves or they do not have the required production capability for on-sale to their respective customers or for their own production needs. The Group also purchases equipment parts from certain members of the Prysmian Group from time to time for its optical fibre production equipment. 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 their portfolio of products through purchases of optical fibre preforms (in the case of the purchase transactions only), optical fibres and optical fibre 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.

In addition, the Company sells raw materials, equipment and components to YOFC Shanghai, a subsidiary of the Company, on an adhoc basis for meeting its temporary operational needs. The Company also purchases spare parts from YOFC Shanghai to meet any temporary operational needs.

As further advised by the Directors, the Group is principally engaged in the manufacture and sales of optical fibre preforms, optical fibres and optical fibre cables. The Prysmian Group is a world leader in the energy and telecom cables and systems industry. YOFC Shanghai is principally engaged in the production and sales of optical fibre cables. The Company has benefited from working with the Prysmian Group and YOFC Shanghai, providing optical fibres, optical fibre cables, raw materials, equipment and components to the Prysmian Group and YOFC Shanghai, and purchasing optical fibre preforms, optical fibres, optical fibre cables, equipment parts and spare parts from the Prysmian Group and YOFC Shanghai. The Group has established long-term relationship of around 23 years and 15 years with the Prysmian Group and YOFC Shanghai respectively. Such relationship is fair and reasonable, beneficial for the stable operation and business expansion of the Company and in the interests of the Company and the Shareholders as a whole.

The Directors are of the view that (i) the sale and purchase transactions with the Prysmian Group and YOFC Shanghai have been and 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 (ii) the respective proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Based on the above, we are of the view that the sale and purchase transactions with the Prysmian Group and YOFC Shanghai 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

III. Principal terms

The Prysmian Sales Framework Agreement and the YOFC Shanghai Sales Framework Agreement

Set out below are the major terms of the Prysmian Sales Framework Agreement and the YOFC Shanghai Sales Framework Agreement:

Date	:	November 11, 2016
Parties	:	<p>The Prysmian Sales Framework Agreement was entered into between the Company and Prysmian S.p.A.</p> <p>The YOFC Shanghai Sales Framework Agreement was entered into between the Company and YOFC Shanghai.</p>
Duration	:	<p>Each of the Sales Framework Agreements shall become effective from January 1, 2017 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 extend the 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>Sale of optical fibres and optical fibre cables in respect of the Prysmian Sales Framework Agreement.</p> <p>Sale of optical fibres, optical fibre cables, raw materials, equipment and components in respect of the YOFC Shanghai Sales Framework Agreement.</p>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

To implement the sales transactions contemplated under the Sales Framework Agreements, a member of the Prysmian Group or YOFC Shanghai will place specific purchase orders with the Group each time they source from the Group respectively optical fibres and optical fibre cables in case of the Prysmian Group, and optical fibres, optical fibre cables, raw materials, equipment and components in case of 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.

Pricing basis : The pricing terms of each sales transaction shall be consistent with the following guidelines:

- (1) the prevailing tender price announced by the local telecommunications operators at the place where the relevant purchaser is located (the “**Local Tender Price**”); or
- (2) the latest average export (from the PRC) price made available to the public by the General Administration of Customs of the PRC, at the time of the relevant transaction (the “**Export Price**”);

where neither the Local Tender Price nor the Export Price is available, the pricing terms shall be consistent with 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 INDEPENDENT FINANCIAL ADVISER

We have obtained and reviewed the Existing Prysmian Sales Framework Agreement and the Existing YOFC Shanghai Sales Framework Agreement and we noted that other than the duration, the terms of the Prysmian Sales Framework Agreement and the YOFC Shanghai Sales Framework Agreement do not have material difference in comparison with the Existing Prysmian Sales Framework Agreement and the Existing YOFC Shanghai Sales Framework Agreement.

We noted that the Prysmian Sales Framework Agreement and the YOFC Shanghai Sales Framework Agreement are on a non-exclusive basis and the parties are not prohibited to engage independent third parties for similar products as the relevant party thinks appropriate and/or if the terms are more favourable to the relevant party. We believe that such non-exclusive nature of both agreements would provide flexibility to the Group and ensure that the Group will be able to sell the related products at the best interest of the Group.

In relation to the pricing basis, as illustrated above, the pricing terms of each sales transaction under the Prysmian Sales Framework Agreement and the YOFC Shanghai Sales Framework Agreement will be determined with reference to the Local Tender Price, the Export Price, the PRC Tender Price, or 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. As mentioned in the Letter from the Board, (i) the Group can gain access to the Local Tender Price after the overseas telecommunications operators have completed their bidding process if the Group participates in such overseas bidding process, or through the Prysmian Group if it does not participate in such overseas bidding process and the overseas telecommunications operators do not announce the tender price publicly; (ii) the Export Price is available to the public by the General Administration of Customs of the PRC; and (iii) the PRC Tender Price will be announced to industry participants after completion of the central bidding process conducted by the three state-owned telecommunications operators in the PRC, namely China Mobile Limited, China Telecom Corporation Limited and China (Unicom) Hong Kong Limited, on average on an annual basis. Such announcement will be made by way of notice and served to the industry participants directly. The Local Tender Price and the PRC Tender Price are usually considered as a benchmark price for the manufacturers in determining their product prices. Typically, mobile communication networks and internet networks constructed and operated by telecommunications operators represent the demand for optical fibre cables. Given that the telecommunications industry is highly concentrated, whether in the PRC or elsewhere in the world, the demands from a handful of telecommunications operators would be the main drivers of the market demands of the optical fibre cables and thus the tender prices determined by those telecommunications operators would largely dictate the market prices. Therefore, we are of the view that the Local Tender Price, the Export Price and the PRC Tender Price can serve as the available benchmarks for the fair values of the products which allow the independent non-executive Directors as well as the auditor of the Company to have a framework to review the continuing connected transactions thereafter.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In respect of the price to 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 where none of the Local Tender Price, the Export Price or the PRC Tender Price is available or applicable, we have obtained the sample invoices of the transactions under the Existing Prysmian Sales Framework Agreement and the Existing YOFC Shanghai Sales Framework Agreement and the quotations of similar products from third parties for the relevant period. We noted that the pricing of the corresponding transactions was equivalent or comparable to those offered to or quoted by third parties independent of the Company for similar products.

In addition, as discussed in the Letter from the Board, internal control procedures are established and 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. Since the product specifications required by different telecommunications operators would usually be different, the tender prices announced and confirmed by different telecommunications operators will all be listed in the predetermined price range. In case where the optical fibre cables sold to the different telecommunications operators are comparable in terms of product specifications, the Company will first adopt the tender price for products supplied to China Mobile Limited for comparison when pricing. The price range will also be updated from time to time to incorporate the latest Export Price. Considering the wide variety of specifications of the Group's products, there would be circumstances where none of the Local Tender Price, the Export Price or the PRC Tender Price is applicable to the potential orders from the Prysmian Group. In addition, since the predetermined price range is set in the first quarter every year and there may be price fluctuations from time to time during the year, the Company has established a pricing committee to ensure that the product prices will be determined on a fair and reasonable basis. The pricing committee is comprised of the chief sales officer of the Company, the manager of the domestic sales division, the manager of the international sales division and the manager of the marketing and business support division. Pricing analysts will be responsible to collect and analyse the latest market information such as the tenders submitted by competitors, the published tender price, the current market supplies and the production capacities of the competitors. A monthly report will then be prepared and submitted to the pricing committee by the pricing analysts for evaluation and review. The pricing committee will convene a meeting once a month and, after taking into account the monthly report as well as the sales and purchase orders of the Group received and accepted from independent third parties during the preceding month, will confirm if any updates have to be made to the predetermined price range.

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 as updated from time to time. Where the price of any order is below the minimum value of the predetermined price range, it shall be

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approved by the chief sales officer and the general manager of the Company before such order is accepted, which had not occurred since January 1, 2014 as advised by the management of the Company.

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 as well as within the predetermined price range as updated from time to time. Where the price of any order is below the PRC Tender Price or the minimum value of the predetermined price range, it shall be approved by the chief sales officer and the general manager of the Company before such order is accepted. The chief sales officer and the general manager will consider if there are any special circumstances which justify the deviations from the predetermined price range such as the competitor's tender price, the specific pricing requirements set by the telecommunications operators which invite for tenders and the quantity of the products required.

Considering (i) the accessibility of the Local Tender Price by the Group; (ii) the public availability of the Export Price; (iii) the PRC Tender Price as announced to industry participants (including the Group) by the three state-owned telecommunications operators in the PRC; (iv) the set up of the predetermined price range every year by the chief sales officer of the Company with reference to the Local Tender Price and the PRC Tender Price which will also be updated from time to time to incorporate the latest Export Price; (v) the price of any order for export sales and for domestic sales will be restricted by the predetermined price range and the PRC Tender Price; (vi) the establishment of the pricing committee to ensure that the product prices will be determined on a fair and reasonable basis; and (vii) the sample invoices of the transactions under the Existing Prysmian Sales Framework Agreement and the Existing YOFC Shanghai Sales Framework Agreement and the quotations of similar products from third parties as aforementioned and our observation above that the pricing of the relevant transactions was equivalent or comparable to those offered to or quoted by third parties independent of the Company for similar products, we concur with the Directors that the pricing mechanism under the Prysmian Sales Framework Agreement and the YOFC Shanghai Sales Framework Agreement is fair and reasonable so far as the Independent Shareholders are concerned and that there are adequate internal control measures in place to monitor the sales transactions with the Prysmian Group and YOFC Shanghai to safeguard the interest of the Independent Shareholders.

Given that (i) the pricing terms of each sales transaction shall be determined based on the pricing basis as discussed above with reference to prices/quotes from independent third parties; and (ii) relevant internal control procedures are in place to ensure that the prices offered by the Company to the Prysmian Group and YOFC Shanghai will be no less favourable than those offered to the independent third parties, we are of the view that the terms of the Prysmian Sales Framework Agreement and the YOFC Shanghai Sales Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

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The Prysmian Purchase Framework Agreement and the YOFC Shanghai Purchase Framework Agreement

Set out below are the major terms of the Prysmian Purchase Framework Agreement and the YOFC Shanghai Purchase Framework Agreement:

- Date : November 11, 2016
- Parties : The Prysmian Purchase Framework Agreement was entered into between the Company and Prysmian S.p.A..
- The YOFC Shanghai Purchase Framework Agreement was entered into between the Company and YOFC Shanghai.
- Duration : Each of the Purchase Framework Agreements shall become effective from January 1, 2017 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 extend the 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.
- Nature of transactions : Purchases of equipment parts for optical fibre production, optical fibre preforms, optical fibres and optical fibre cables in respect of the Prysmian Purchase Framework Agreement.
- Purchases of optical fibres, optical fibre cables and spare parts in respect of the YOFC Shanghai Purchase Framework Agreement.

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To implement the purchase transactions contemplated under the Purchase Framework Agreements, the Group will place specific purchase orders with the Prysmian Group or YOFC Shanghai each time the Group purchases optical fibre preforms, optical fibres, optical fibre cables and equipment parts from the Prysmian Group and 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.

Pricing basis : The pricing terms of each purchase transaction shall be consistent with the following guidelines:

- (1) the latest average import (into the PRC) price made available to the public by the General Administration of Customs of the PRC at the time of the relevant transaction (the “**Import Price**”); or
- (2) 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 the Prysmian Group or YOFC Shanghai are fair and reasonable and comparable to those offered by unrelated third parties.

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We have obtained and reviewed the Existing Prysmian Purchase Framework Agreement and the Existing YOFC Shanghai Purchase Framework Agreement and we noted that other than the duration, the terms of the Prysmian Purchase Framework Agreement and the YOFC Shanghai Purchase Framework Agreement do not have material difference in comparison with the Existing Prysmian Purchase Framework Agreement and the Existing YOFC Shanghai Purchase Framework Agreement.

We noted that the Prysmian Purchase Framework Agreement and the YOFC Purchase Framework Agreement are on a non-exclusive basis and the parties are not prohibited to engage independent third parties for similar products as the relevant party thinks appropriate and/or if the terms are more favorable to the relevant party. We believe that such non-exclusive nature of both agreements would provide flexibility to the Group and ensure that the Group will be able to purchase the related products at the best interest of the Group.

In relation to the pricing basis, as illustrated above, the pricing terms of each purchase transaction under the Prysmian Purchase Framework Agreement and the YOFC Shanghai Purchase Framework Agreement will be determined with reference to the Import Price or the Purchase PRC Tender Price, or 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. As mentioned in the Letter from the Board, (i) the Import Price is available to the public by the General Administration of Customs of the PRC; and (ii) the Purchase PRC Tender Price will be announced to industry participants after completion of the central bidding process conducted by the three state-owned telecommunications operators in the PRC, namely China Mobile Limited, China Telecom Corporation Limited and China (Unicom) Hong Kong Limited, on average on an annual basis. Such announcement will be made by way of notice and served to the industry participants directly. The Purchase PRC Tender Price is usually considered as a benchmark price for the PRC manufacturers in determining their product prices. Typically, mobile communication networks and internet networks constructed and operated by telecommunications operators represent the demand for optical fibre cables. Given that the PRC telecommunications industry is highly concentrated, the demands from the three state-owned telecommunications operators would be the main drivers of the market demands of the optical fibre cables and thus the tender prices determined by three state-owned telecommunications operators would largely dictate the market prices. Therefore, we are of the view that the Import Price and the Purchase PRC Tender Price can serve as the available benchmarks for the fair values of the products which allow the independent non-executive Directors as well as the auditor of the Company to have a framework to review the continuing connected transactions thereafter.

In respect of the price to 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 where none of the Import Price or the Purchase PRC Tender Price is available or applicable, we have obtained the sample invoices of the transactions under the Existing Prysmian Purchase Framework Agreement and

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the Existing YOFC Shanghai Purchase Framework Agreement and the quotations of similar products from third parties for the relevant period. We noted that the pricing of the corresponding transactions was equivalent or comparable to those offered from or quoted by third parties independent of the Company for similar products.

In addition, as discussed in the Letter from the Board, internal control procedures are established. The Purchase PRC Tender Price will be fixed when the three state-owned telecommunications operators in the PRC have completed their central bidding process and announced the bidding results. The central bidding process will be carried out on average on an annual basis and, the Purchase PRC Tender Price will be announced to industry participants upon completion of the bidding process.

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. Since the predetermined price range is set at the beginning of each financial year and there may be price fluctuations from time to time during the year, the head of supply chain department will also consider the updates made by the pricing committee to the predetermined price range for the sales of the Group's products. If the head of supply chain department considers those updates to be applicable and relevant, he/she will also update the predetermined price range for the purchases of optical fibre preforms, optical fibres and optical fibre cables. 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 as updated from time to time. 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 general manager of the Company before such order is placed, which had not occurred since January 1, 2014 as advised by the management of the Company.

For domestic purchases, the price will be determined with reference to the Purchase PRC Tender Price. The Purchase PRC Tender Price announced by the three 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 as well as within the predetermined price range as updated from time to time. The head of supply chain department and the general manager will consider if there are any special circumstances which justify the deviations from the predetermined price range such as the urgency of the products or equipment required, transportation costs and after-sales support.

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Considering (i) the public availability of the Import Price; (ii) the Purchase PRC Tender Price as announced to industry participants (including the Group) by the three state-owned telecommunications operators in the PRC; (iii) the set up of the predetermined price range for import purchases every year by the head of supply chain department of the Company with reference to the latest available Import Price which will also be updated from time to time based on the latest information available from the General Administration of Customs of the PRC; (iv) the price of any order for import purchases and for domestic purchases will be restricted by the predetermined price range and the Purchase PRC Tender Price; (v) the establishment of the pricing committee to assist the head of supply chain department in ensuring that the product prices will be determined on a fair and reasonable basis; and (vi) the sample invoices of the transactions under the Existing Prysmian Purchase Framework Agreement and the Existing YOFC Shanghai Purchase Framework Agreement and the quotations of similar products from third parties as aforementioned and our observation above that the pricing of the relevant transactions was equivalent or comparable to those offered from or quoted by third parties independent of the Company for similar products, we concur with the Directors that the pricing mechanism under the Prysmian Purchase Framework Agreement and the YOFC Shanghai Purchase Framework Agreement is fair and reasonable so far as the Independent Shareholders are concerned and that there are adequate internal control measures in place to monitor the purchase transactions with the Prysmian Group and YOFC Shanghai to safeguard the interest of the Independent Shareholders.

Given that (i) the pricing terms of each purchase transaction shall be determined based on the pricing basis as discussed above with reference to prices/quotes from independent third parties; and (ii) relevant internal control procedures are in place to ensure that the prices offered to the Company by the Prysmian Group and YOFC Shanghai will be no less favourable than prices offered by the independent third parties, we are of the view that the terms of the Prysmian Purchase Framework Agreement and the YOFC Purchase Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

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IV. Proposed annual caps

The Prysmian Sales Framework Agreement and the YOFC Shanghai Sales Framework Agreement

The table below sets forth (i) the existing annual caps for the three years ending December 31, 2016 and the historical transaction amounts for the two years ended December 31, 2015 and the nine months ended September 30, 2016 for the sales transactions with the Prysmian Group and YOFC Shanghai; and (ii) the proposed annual caps for the sales transactions with the Prysmian Group and YOFC Shanghai for the three years ending December 31, 2019:

Purchaser		For the year ended December 31,					
		2014	2015	2016	2017	2018	2019
The Prysmian Group	Existing/Proposed annual cap (RMB'000)	100,000	159,000	177,000	229,000	254,000	282,000
	Historical transaction amount (RMB'000)	62,198	71,535	46,023	N/A	N/A	N/A
	Utilisation rate (%)	62.2	45.0	26.0	N/A	N/A	N/A
	Growth in annual caps (%)	N/A	59.0	11.3	29.4	10.9	11.0
YOFC Shanghai	Existing/Proposed annual cap (RMB'000)	231,000	243,000	256,000	408,000	448,000	494,000
	Historical transaction amount (RMB'000)	215,918	242,746	236,715	N/A	N/A	N/A
	Utilisation rate (%)	93.5	99.9	92.5	N/A	N/A	N/A
	Growth in annual caps (%)	N/A	5.2	5.3	59.4	9.8	10.3

Note: The historical transaction amounts for the sales transactions between the Company and each of Draka Fibre, Draka Singapore, Prysmian Wuxi and Prysmian Brazil, being relevant members of the Prysmian Group, and YOFC Shanghai did not exceed each of their existing individual annual caps for the years ended December 31, 2014 and 2015. Further details of the historical transaction amounts for the sales transactions with Draka Fibre, Draka Singapore, Prysmian Wuxi, Prysmian Brazil and YOFC Shanghai are set out in the previous annual reports of the Company. As at September 30, 2016, the historical transaction amounts for the sales transactions between the Company and each of Draka Fibre, Draka Singapore, Prysmian Wuxi, Prysmian Brazil and YOFC Shanghai have not exceeded each of their existing individual annual caps for the year ending December 31, 2016.

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As advised by the management of the Company, the Company estimated that the transaction amounts for the sales transactions with the Prysmian Group and YOFC Shanghai for the full year of 2016 will be approximately RMB54 million and RMB256 million respectively, representing approximately 30.5% and 100.0% of the corresponding annual caps for the year ending December 31, 2016. We have also obtained and reviewed the estimated breakdown prepared by the management of the Company in determining the proposed annual caps for the sales transactions with the Prysmian Group and YOFC Shanghai and we noted that the growth of annual caps for the sales transactions with the Prysmian Group and YOFC Shanghai for the three years ending December 31, 2019 are approximately 29.4%, 10.9% and 11.0%, and 59.4%, 9.8% and 10.3% respectively.

In arriving at the proposed annual caps for the sales transactions with the Prysmian Group and YOFC Shanghai for the three years ending December 31, 2019, the Company has taken into account of the following:

- (i) the historical transaction amounts with the Prysmian Group, including its historical adhoc demands on special types of optical fibre cables;
- (ii) the projected expansion in the existing production capacities of the Group, thereby allowing the Group to serve more fully the demands from the Prysmian Group, especially those from Prysmian Wuxi. The Group has installed a new PCVD production line at its Wuhan headquarters. The Group also continues to construct its new production facility in YOFC Science & Technology Park in Qianjiang in order to expand its production capacity, the completion of which can lead to an increase in the production of 500 tons, 1,000 tons and 1,000 tons optical fibre preforms in the next three years respectively, which can be further used in the production of optical fibres; and an increase in the production of 10,000,000 km optical fibres starting from 2017. At the same time, the Group expects to realise an increase in the production of 6,000,000 km optical fibres from its production base in Lin'an, Zhejiang starting from 2017. Given the PRC market has been in shortage of supply on optical fibre preforms and optical fibres since late 2015, the Group has strategically adjusted its production as well as sales plan. The self-produced and externally sourced optical fibre preforms have been used to produce the Group's own optical fibre products in order to serve the needs and demands of the PRC customers instead of producing optical fibre products ordered by the Prysmian Group. Also, the Group did not have any surplus optical fibres which could be supplied to the Prysmian Group as its optical fibres have been used in the production of optical fibre cables ordered by its own customers. Therefore, despite of the persistently strong demand from Prysmian Wuxi, as evidenced from its indicative demand communicated with the Group from time to time, the historical transaction amounts with Prysmian Wuxi did not record a significant increase in 2015 and 2016. With the continued increase in the production capacities over the next three years, the Group expects to be able to redeploy its production

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resources and satisfy the business needs from Prysmian Wuxi. Prysmian Wuxi has also indicated to the Company that it expects its demand will continue to grow despite of its current production capacity because it may purchase optical fibres and optical fibre cables from the Group for resale to other members of the Prysmian Group located outside of the PRC;

- (iii) the continuing increase in demand for optical fibre cables by Draka Singapore as a result of the construction of broadband and 4G network by the Singapore government. Draka Singapore has received increasing number of purchase orders from the three major telecommunication operators in Singapore since the Singapore government launched its “Smart Nation” program in 2014. Prysmian Wuxi, one of the major optical fibre cable suppliers of Draka Singapore, is not able to fulfill the increasing demand for optical fibre cables of Draka Singapore due to its limited production capacity. Despite of the temporary reduction in the transaction amount with Draka Singapore in 2015, the Company has witnessed significant increase in the amount of purchase orders received from Draka Singapore in the first three quarters of 2016 and the Company expects that the growth trend will continue to be strong, though such growth trend may gradually slow down after 2018;
- (iv) the expansion of the Group’s international presence. More overseas plants and sales offices have been established by the Group, thus allowing the Group to better serve its overseas buyers, including the Prysmian Group. In particular, the indicative demand for optical fibres and optical fibre cables from Prysmian Brazil appears to be growing considering certain of its South American projects will source optical fibre cables from the Group. The optical fibre cables to be supplied to Prysmian Brazil are primarily ADSS optical fibre cables, the selling prices of which are relatively higher;
- (v) the historical transaction amounts with YOFC Shanghai. The annual caps for the two years ended December 31, 2015 were nearly utilised in full and the transaction amount for the nine months ended September 30, 2016 has almost reached the existing annual cap for the year ending December 31, 2016;
- (vi) the recent increase in the utilisation of the production capacity of YOFC Shanghai and the expected increase in the production capacity of YOFC Shanghai in 2018 and 2019 given the planned equipment and technology enhancement. YOFC Shanghai requires optical fibres as raw materials for production of its optical fibre cable products and so long as the Group could produce and supply the type of optical fibres as required, YOFC Shanghai generally would source all its required optical fibres from the Group given the product compatibility. The optical fibres to be supplied to YOFC Shanghai are partly multi-modes optical fibres, the selling prices of which are relatively higher; and

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- (vii) the increasing trend of the selling prices of optical fibres in the PRC market. The launch of the “Broadband China” national strategy by the PRC government and fibre-to-the-home by the three state-owned telecommunications network operators continues. Together with some other new initiatives announced by the PRC government such as “Internet plus”, raising network speed, lowering data tariffs, the enhancement of network capabilities as well as the anti-dumping duties imposed on imported preforms against those foreign suppliers from Japan and the United States since August 2015, the PRC market is in shortage of supply in optical fibre preforms and optical fibres starting from the last few months of 2015. The shortage situation has not been mitigated in 2016. The Company expects that such shortage would not be resolved in a short period of time and a prolonged shortage would continue to push up the selling price.

As stated in the Letter from the Board, as compared with the existing annual cap for the year ending December 31, 2016 as well as the historical transaction amounts, the proposed annual cap for the year ending December 31, 2017 increases substantially because the production capacities of the Group will be expanded as more particularly described in paragraph (ii) above. The proposed annual cap for the year ending December 31, 2017 is determined based on the assumption that the production capacities (as expanded) of the Group would be fully utilised given the strong demands from the Prysmian Group and YOFC Shanghai as more particularly explained in paragraphs (ii), (iii), (iv) and (vi) above. The proposed annual caps for the years ending December 31, 2018 and 2019 are estimated to increase rather steadily and moderately based on the general inflation and the increase in selling price of optical fibres as explained in paragraph (vii) above. In addition, considering the enhancement in production technologies and equipment, the Group’s production capacities would still slightly increase in 2018 and 2019 although the Group expects to reach its full production capacities (as expanded) in 2017.

In order to assess the fairness and reasonableness of the proposed annual caps for the sales transactions with the Prysmian Group and YOFC Shanghai, we have gathered the market information, discussed with the management of the Company, and considered the factors as below:

- (i) The utilisation rates for the nine months ended September 30, 2016 of approximately 26.0% and 92.5% of the annual caps for the sales transactions with the Prysmian Group and YOFC Shanghai respectively and the estimated utilisation rates for the year ending December 31, 2016 of approximately 30.5% and 100.0% of the annual caps for the sales transactions with the Prysmian Group and YOFC Shanghai respectively.

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- (ii) The annual production capacity of optical fibre preforms of the new PCVD production line at the Wuhan headquarters of the Group which has been installed and the continuous PCVD production capacity expansion of YOFC Science & Technology Park in Qianjiang for each of the next three years of 500 tons, 1,000 tons and 1,000 tons of optical fibre preforms respectively, which can in turn produce approximately 15 million km, 30 million km and 30 million km of optical fibres respectively. As discussed with the management of the Company, with the expansion of production capacity, the Group will be able to satisfy the demand for optical fibre products from the overseas market through the sale to Prysmian Wuxi (which was not the priority of the Group before and is the main reason for the relatively low utilisation rates of annual caps for the year ended December 31, 2015 and the nine months ended September 30, 2016 respectively).
- (iii) In relation to the PRC market, as stated in the 2015 Annual Report and the 2016 Interim Report, the PRC government has launched the “Broadband China” strategy and the “Internet plus” initiative, and the three state-owned telecommunications network operators have commenced their scalable construction of 4G mobile network and fibre-to-the-home (FTTH) network, which resulted in the booming demand in the optical fibre cable market in the PRC. In addition, We have reviewed the Guidance Opinion on Accelerating the Construction of High-speed Broadband Network to Promote Network Speed and to Reduce Charges issued by the General Office of the State Council (國務院辦公廳關於加快高速寬帶網絡建設推進網絡提速降費的指導意見) (國辦發[2015] 41號) in May 2015. As part of the “Broadband China” strategy, the PRC government will invest at least RMB700 billion in 2016 and 2017 in the construction of network infrastructure in order to accelerate network speed. The construction of network infrastructure is expected to increase the demand for optical fibre cables. According to the “Broadband China”, by the end of 2017, most of the urban families will be equipped with fibre connection at 100 Mbps; broadband users in direct-controlled municipality and capitals of subdivisions will be able to enjoy the service at 20 Mbps in average; over 80% of the administrative villages will be able to access broadband connection; and 4G network will cover the whole country from cities to villages. As discussed with the management of the Company, riding on the further development of the optical fibre industry, the proposed annual caps for the sales transactions with the Prysmian Group and YOFC Shanghai are justifiable.

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- (iv) Regarding the Singaporean market, according to the Infocomm Development Authority of Singapore (the “IDA”), in March 2006, the Singapore government announced its intention to support the development of a Next Generation Nationwide Broadband Network (the “Next Gen NBN”) to strengthen its economic competitiveness in an increasingly digital world and to meet its future economic and social needs. The Next Gen NBN is a Fibre-to-Anywhere network project and will help to transform Singapore into an intelligent nation and a global city, powered by info-communications. In early April 2015, the IDA announced that 1 billion Singapore dollars (equivalent to approximately USD717 million) would be spent in the building and operation of the Next Gen NBN. Moreover, the Ministry of Trade and Industry Singapore had conducted a survey revealing that during 2015, the information and communications sector in Singapore posted a growth of 4.2% and the number of broadband subscribers in Singapore continued to rise. By April 2016, overall broadband subscriptions, both wireless broadband and optical fibre broadband, expanded by 4.7%, according to data.gov.sg, Singaporean government’s one-stop portal to its publicly-available datasets from 70 public agencies. With the Singapore government’s tremendous investments and energetically continuing promotion of the Next Gen NBN, the demand for optical fibre cables is expected to increase. Based on the aforementioned facts, it is believe that there would be significant demand for optical fibre cables from Singapore, which in turn stimulates the demand for optical fibre cables from Draka Singapore.

We have reviewed the information from the Company regarding the historical transaction amounts with Draka Singapore since 2014 and we noted that the transaction amount for the nine months ended September 30, 2016 amounted to approximately RMB27.1 million. Such 9-month figure represented approximately 93.6% of the annual cap of RMB29.0 million for the whole year of 2016 and a growth of approximately 99.6% from the transaction amount of approximately RMB13.6 million for the whole year of 2015, principally due to the launch of the “Smart Nation” program by the Singaporean government and the limited production capacity of optical fibre cables by Prysmian Wuxi. The significant growth is consistent with the observation of the Company as stated in the Letter from the Board. The Company expects that the growth trend will continue to be strong.

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- (v) For the sales to be generated from South America through Prysmian Brazil, the management of the Company advised us that it is for the project in Peru. Regarding the market of optical fibre, we noted that in July 2016, with the launch of “National Optical Fibre Backbone Network” entitled an investment of approximately USD330 million by the Peruvian government, 180 out of the 196 province capitals of the country will be interconnected with high-speed optical fibre. With the support from the government, there will be a further development on the network in Peru, which in turn stimulate the demand for optical fibres from Prysmian Brazil. Besides, we have obtained the indicative demand for optical fibre cables for the project at RMB45 million for the year ending December 31, 2017, and based on the estimation of the management of the Company, there will be an increment of approximately RMB10 million for each of the two years ending December 31, 2019. Moreover, We have reviewed the indicative price of ADSS optical fibres for those projects, and noted that the price is approximately 50% to 100% higher than the normal ones. Therefore, the Company expects that the sales growth in Brazil is going to surge in the coming three years.
- (vi) In relation to the sales transactions with YOFC Shanghai, the historical transaction amounts for the two years ended December 31, 2015 and the nine months ended September 30, 2016 were approximately RMB215.9 million, RMB242.7 million and RMB236.7 million respectively, representing a high utilization rate of the existing annual caps at approximately 93.5%, 99.9%, and 92.5% respectively. Apart from this, as discussed with the management of the Company, optical fibre cable production of YOFC Shanghai for the two years ended December 31, 2015 was approximately 3.8 million km and 4.5 million km respectively, and the production of the same is estimated to be at approximately 5.5 million km for the year ending December 31, 2016. The estimated production of YOFC Shanghai for the coming three years will be approximately 6.0 million km, 6.6 million km and 7.2 million km, or at a growth rate of 9.1%, 10.0% and 9.1% respectively. YOFC Shanghai has to source optical fibre as raw materials (which the Group is one of the major suppliers to YOFC Shanghai) for the production of the optical fibre cables. In light of the (a) increased demand for optical fibres due to the increase in the production of optical fibre cables of YOFC Shanghai; (b) increasing price trend of optical fibres expected to be continued in the coming three years as mentioned in (viii) below; and (c) a buffer on top of the total estimated transaction amount, a higher proposed annual cap might be necessary to capture this opportunity.

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- (vii) For the increasing trend of the selling price of optical fibres in the PRC market, we have reviewed the Announcement on Anti-Dumping Tax imposed on imported optical fibre preforms manufactured in Japan and the United States issued by the General Administration of Customs of the PRC (中華人民共和國海關總署) (海關總署公告2015年第39號(關於對進口原產於日本和美國的光纖預製棒徵收反傾銷稅的公告)) dated August 18, 2015, and we noted that the anti-dumping tax imposed against those optical fibre preforms manufactured in Japan and US at a rate around 8% to 9% and 17% to 42% respectively for two years starting from August 19, 2015. Furthermore, we have also reviewed the Export Price and noted that it increased from USD1,657.4/kilogram to USD1,982.8/kilogram (or an increase of 19.6%) from December 2014 to August 2016. We have further obtained and reviewed the invoices of a type of optical fibre sold to an independent third party by the Group for approximately one year from August 2015 to August 2016, and we noted that the price (including value added tax) of that type of optical fibre rose by approximately 31.4% from RMB51 per km to RMB67 per km. This shows the upward trend of optical fibre price in the PRC recently. This trend is likely to continue in the next three years as discussed with the management of the Company.
- (viii) The growth of the proposed annual caps for the sales transactions with the Prysmian Group and YOFC Shanghai ranging from approximately 10.9% to 29.4% and from approximately 9.8% to 59.4% respectively for the three years ending December 31, 2019.

Taking into account of the above, we are of the view that the proposed annual caps for the sales transactions with the Prysmian Group and YOFC Shanghai for the three years ending December 31, 2019 are fair and reasonable so far as the Independent Shareholders are concerned.

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The Prysmian Purchase Framework Agreement and the YOFC Shanghai Purchase Framework Agreement

The table below sets forth (i) the existing annual caps for the three years ending December 31, 2016 and the historical transaction amounts for the two years ended December 31, 2015 and the nine months ended September 30, 2016 for the purchase transactions with the Prysmian Group and YOFC Shanghai; and (ii) the proposed annual caps for the purchase transactions with the Prysmian Group and YOFC Shanghai for the three years ending December 31, 2019:

Seller		For the year ended December 31,					
		2014	2015	2016	2017	2018	2019
The Prysmian Group	Existing/Proposed annual cap (RMB'000)	48,000	90,000	109,000	270,000	305,000	306,000
	Historical transaction amount (RMB'000)	18,788	44,926	78,860 (January-September)	N/A	N/A	N/A
	Utilisation rate (%)	39.1	49.9	72.3 (January-September)	N/A	N/A	N/A
	Growth in annual caps (%)	N/A	87.5	21.1	147.7	13.0	0.3
YOFC Shanghai	Existing/Proposed annual cap (RMB'000)	259,000	272,000	286,000	830,000	910,000	1,000,000
	Historical transaction amount (RMB'000)	184,833	224,493	210,849 (January-September)	N/A	N/A	N/A
	Utilisation rate (%)	71.4	82.5	73.7 (January-September)	N/A	N/A	N/A
	Growth in annual caps (%)	N/A	5.0	5.1	190.2	9.6	9.9

Notes:

- (1) The purchase transactions between the Company and Prysmian Wuxi have not been taken into account when the existing annual cap for the year ended December 31, 2014 was determined. Reference is made to the circular of the Company dated June 19, 2015 in respect of the revised annual caps for the purchase transactions with the Prysmian Group for the two years ending December 31, 2016, pursuant to which the purchase transactions between the Company and Prysmian Wuxi have been taken into account when the existing annual caps (as revised) for the two years ending December 31, 2016 were set.
- (2) Such total transaction amounts did not include the ad hoc purchase of optical fibres from Prysmian Fibras amounting to RMB4,923,000 during the nine months ended September 30, 2016. Such purchase transactions were not taken into account when setting the annual caps for the purchase transactions between the Group and the Prysmian Group. Since each of the relevant percentage ratios under the Listing Rules in respect of such purchase transactions is less than 0.1%, such purchase transactions constitute de minimis transactions which are exempt from the annual reporting, annual review, announcement, circular and independent shareholders' approval requirements under Rule 14A.76(1) of the Listing Rules.

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- (3) The historical transaction amounts for the purchase transactions between the Company and each of Draka Fibre, Draka France and Prysmian Wuxi, being relevant members of the Prysmian Group, and YOFC Shanghai did not exceed each of their existing individual annual caps for the years ended December 31, 2014 and 2015. Further details of the historical transactions amounts for the purchase transactions with Draka Fibre, Draka France, Prysmian Wuxi and YOFC Shanghai are set out in the previous annual reports of the Company. As at September 30, 2016, the historical transaction amounts for the purchase transactions between the Company and each of Draka Fibre, Draka France, Prysmian Wuxi and YOFC Shanghai have not exceeded each of their existing individual annual caps for the year ending December 31, 2016.

As advised by the management of the Company, the Company estimated that the transaction amounts for the purchase transactions with the Prysmian Group and YOFC Shanghai for the full year of 2016 will be approximately RMB101 million and RMB280 million respectively, representing approximately 92.7% and 97.9% of the corresponding annual caps for the year ending December 31, 2016. We have also obtained and reviewed the estimated breakdown prepared by the management of the Company in determining the proposed annual caps for the purchase transactions with the Prysmian Group and YOFC Shanghai and we noted that the growth of annual caps for the purchase transactions with the Prysmian Group and YOFC Shanghai for the three years ending December 31, 2019 are approximately 147.7%, 13.0% and 0.3%, and 190.2%, 9.6% and 9.9% respectively.

In arriving at the proposed annual caps for the purchase transactions with the Prysmian Group and YOFC Shanghai for the three years ending December 31, 2019, the Company has taken into account of the following:

- (i) the historical transaction amounts with the Prysmian Group. As a result of the PRC market shortage of optical fibre preforms and optical fibres starting from late 2015, the strategic adjustment of the Company's production plan has resulted in a decrease in demands for Draka-made optical fibre preforms and optical fibres from the Prysmian Group in 2015. Along with the expansion of the production capacities of the Group and the redeployment of production resources, the Group has started to restore its purchase plan of the products from the Prysmian Group and by the end of the third quarter in 2016, over 70% of the existing annual cap for the year ending December 31, 2016 has been used up;

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- (ii) the overseas business expansion of the Group. The Group has established joint ventures in Myanmar, Indonesia and South Africa respectively, and the Group's development strategy is to continue to build up its international presence in the near future. Considering the geographical proximity, transportation costs and overseas selling prices of optical fibres and optical fibre preforms, the overseas production plants of the Group expect to purchase equipment, optical fibres, optical fibre cables and optical fibre preforms from the Prysmian Group from time to time. Based on the projected production capacity of the Group's production plant in South Africa and the current progress of the construction of such production plant, it is expected that the Group may purchase a maximum of approximately 700,000 km, 1,200,000 km and 1,000,000 km optical fibres amounting to approximately RMB35 million, RMB60 million and RMB50 million annually from the Prysmian Group in the next three years respectively;
- (iii) the transformation of YOFC Shanghai into an OEM plant. The sales functions and channels across different subsidiaries of the Group have been consolidated and all the sales and marketing resources have currently been centralised at the Company's Wuhan headquarters so as to further enhance the Group's brand awareness and optimise cost efficiency. In line with such strategy, YOFC Shanghai no longer employs any sales team and all its sales would rely on the Company and made through the Company, thereby resulting in a very substantial increase in the amount of products expected to be purchased by the Company from YOFC Shanghai;
- (iv) the increase in demand for Draka-made preforms by Shenzhen SDGI Optical Fibre Co., Limited, a joint venture of the Company in which the Company owns 35.36% equity interest. Given the geographical delineation of sales market between the Group and the Prysmian Group under the Optical Fibre Technology Cooperation Agreement, Shenzhen SDGI Optical Fibre Co., Limited has to source its Draka-made preforms through the Company. One of the existing major suppliers of Shenzhen SDGI Optical Fibre Co., Limited could no longer supply the required optical fibre preforms in full, thus Shenzhen SDGI Optical Fibre Co., Limited has to increase its demand for Draka-made preforms, therefore increasing the Group's amount of purchase from the Prysmian Group;
- (v) the demand of the Group to purchase a specific type of optical fibre preforms from Prysmian Fibras;

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- (vi) the capacity backup for optical fibre cables in view of the long-term partnership between the Group and the Prysmian Group. The Prysmian Group, using the same PCVD technology as the Company which is capable of producing optical fibre preforms with more accurate refractive index profiles, is able to guarantee the quality and reliability of optical fibre cables to be supplied to the Group and best suits the needs of the Group; and
- (vii) the demand for parts and components from Draka Fibre which are purchased for replacement resulting from the normal wear and tear of equipment.

As stated in the Letter from the Board, as compared with the existing annual cap for the year ending December 31, 2016 as well as the historical transaction amounts, the proposed annual cap for the year ending December 31, 2017 increases substantially due to the transformation of YOFC Shanghai into an OEM plant as more particularly explained in paragraph (iii) above. The proposed annual cap for the year ending December 31, 2017 is determined largely based on the existing production capacity of YOFC Shanghai as fully utilised and the Group's demands for the products from the Prysmian Group as more particularly described in paragraphs (ii), (iv) and (v) above. The proposed annual caps for the years ending December 31, 2018 and 2019 are estimated to increase rather steadily and moderately based on the general inflation as well as the possible increase in the production capacity of YOFC Shanghai given the enhancement in production technologies and equipment.

In order to assess the fairness and reasonableness of the proposed annual caps for the purchase transactions with the Prysmian Group and YOFC Shanghai, we have gathered the market information, discussed with the management of the Company, and considered the factors as below:

- (i) The utilisation rates for the nine months ended September 30, 2016 of approximately 72.3% and 73.7% of the annual caps for the purchase transactions with the Prysmian Group and YOFC Shanghai respectively and the estimated utilisation rates for the year ending December 31, 2016 of approximately 92.7% and 97.9% (i.e. nearly fully utilised) of the annual caps for the purchase transactions with the Prysmian Group and YOFC Shanghai respectively.

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- (ii) To build up its international presence, the Group has established joint ventures on optical fibre cables in Myanmar and South Africa, and on optical fibres in Indonesia, with the production capacity of approximately one to three million km of optical fibre cables or optical fibres (as the case may be) for each of them in each of the coming three years. The Directors are of the view that it is reasonable to manufacture the products locally by sourcing purchase equipment, optical fibres, optical fibre cables and optical fibre preforms from the subsidiaries of the Prysmian Group over the world instead of shipping the products from the country of origin far from the location of the manufacturing plant. It is expected that the Group may purchase a maximum of approximately 700,000 km, 1,200,000 km and 1,000,000 km optical fibres annually from the Prysmian Group in the coming three years.
- (iii) In relation to the transformation of YOFC Shanghai, we noted that the growth of the proposed annual cap for the purchase transactions with YOFC Shanghai for the year ending December 31, 2017 was approximately 190.2% as compared to the existing annual cap for the year ending December 31, 2016 and enquired into the Directors in this regard. According to the information provided by the Group, the sales of YOFC Shanghai to the three state-owned telecommunications network operators (not including other customers of YOFC Shanghai) are currently made through the Group under the Existing YOFC Shanghai Purchase Framework Agreement. To further enhance the strong brand awareness of the Group and to optimise cost efficiency, there will be a consolidation of the sales functions and channels of the Group (including YOFC Shanghai) in the year ending December 31, 2017, by which the sales of YOFC Shanghai to all customers (including the three state-owned telecommunications network operators as well as other customers of YOFC Shanghai) will be made through the Group while YOFC Shanghai will focus more on the role as an OEM plant. As aforementioned, the historical transaction amount for the purchase transactions with YOFC Shanghai, which refers to the sales of YOFC Shanghai to the three state-owned telecommunications network operators, for the nine months ended September 30, 2016 amounted to approximately RMB210.8 million and the Directors estimated that such transaction amount will reach approximately RMB280 million for the whole year ending December 31, 2016. Assuming that the consolidation of the sales functions and channels of the Group (including YOFC Shanghai) were taken place during the year ending December 31, 2016, the transaction amount for the purchase transactions with YOFC Shanghai for the year ending December 31, 2016 would be approximately RMB824 million taking into account of the estimated sales of YOFC Shanghai to its other customers. Based on such “pro forma” transaction amount for the purchase transactions with YOFC

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Shanghai for the year ending December 31, 2016, the proposed annual cap for the year ending December 31, 2017 represents a growth of merely approximately 0.7%.

- (iv) Regarding the increase in demand for optical fibre preforms from Shenzhen SDGI Optical Fibre Co., Limited, we noted that the growth of the proposed annual cap for the purchase transactions with the Prysmian Group for the year ending December 31, 2017 was approximately 147.7% as compared to the existing annual cap for the year ending December 31, 2016 and such increase was primarily due to the expected increase in demand for optical fibre preforms from Shenzhen SDGI Optical Fibre Co., Limited. As discussed with the management of the Company, due to the limited production capacity reserved for the Group (including Shenzhen SDGI Optical Fibre Co., Limited) by a Japanese supplier from which the Group purchases, among other things, optical fibre preforms with a diameter of 180mm, such Japanese supplier could no longer supply the required optical fibre preforms in full. The Directors advised us that there were a limited number of alternative suppliers for such type of optical fibre preforms in the global market and some of such suppliers even compete with the Group's business to some extent. In order to ensure the smooth operations of Shenzhen SDGI Optical Fibre Co., Limited with sufficient amount of optical fibre preforms of high product quality, the Group may source optical fibre preforms for Shenzhen SDGI Optical Fibre Co., Limited from Draka France and Prysmian Fibras. The Directors expected that the Company may purchase approximately 130 tons and 20 tons from Draka France and Prysmian Fibras respectively for each of the three years ending December 31, 2019.
- (v) The trend of the increasing price of optical fibres in the PRC market as mentioned in item (vii) of the paragraph assessing the fairness and reasonableness of the proposed annual caps for the sales transactions with the Prysmian Group and YOFC Shanghai under the section headed "IV. Proposed annual caps – The Prysmian Sales Framework Agreement and the YOFC Shanghai Sales Framework Agreement" above. The Directors are of the view that the Announcement on Anti-Dumping Tax imposed on imported optical fibre preforms manufactured in Japan and the United States issued by the General Administration of Customs of the PRC (中華人民共和國海關總署) (海關總署公告2015年第39號(關於對進口原產於日本和美國的光纖預製棒徵收反傾銷稅的公告)) dated August 18, 2015 brings the same effect on the purchase price of optical fibres too.
- (vi) For the parts and components purchased from Draka Fibre due to the replacement for the normal wear and tear of equipment, we understood from the Directors that it is mainly for the PCVD equipment and it is unavoidable to replace parts or components of the machinery from time to time to ensure the efficiency of the equipment, not to mention there may be additional equipment to be purchased for the production expansion.

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- (vii) The growth of the proposed annual caps for the purchase transactions with the Prysmian Group and YOFC Shanghai ranging from approximately 0.3% to 147.7% and from approximately 9.6% to 190.2% respectively for the three years ending December 31, 2019.

Taking into account of the above, we are of the view that the proposed annual caps for the purchase transactions with the Prysmian Group and YOFC Shanghai for the three years ending December 31, 2019 are fair and reasonable so far as the Independent Shareholders are concerned.

V. Measures to ensure compliance with the Listing Rules

In compliance with the annual review requirements under Rules 14A.55 to 14A.59 of the Listing Rules, the Company will continue to comply with the following during the three years ending December 31, 2019:

- (i) each year the independent non-executive Directors will review the sale and purchase transactions with the Prysmian Group and YOFC Shanghai and confirm in the Company's annual report whether the transactions have been entered into:
- in the ordinary and usual course of business of the Group;
 - on normal commercial terms or better; and
 - according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (ii) each year the auditors of the Company will provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the sale and purchase transactions with the Prysmian Group and YOFC Shanghai:
- have not been approved by the Board;
 - were not, in all material respects, in accordance with the pricing policies of the Group;
 - were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and
 - have exceeded the annual caps;
- (iii) the Company will allow, and will ensure that the Prysmian Group and YOFC Shanghai will allow, the auditors of the Company sufficient access to their records for the purpose of reporting on the sale and purchase transactions with the Prysmian Group and YOFC Shanghai; and

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- (iv) the Company will promptly notify the Stock Exchange and will publish an announcement if the independent non-executive Directors and/or the auditors of the Company cannot confirm the matters required.

Pursuant to Rule 14A.54 of the Listing Rules, in the event that the transaction amounts of the sale and purchase transactions with the Prysmian Group and YOFC Shanghai exceed the annual caps, or that there is any material change to the terms of the Prysmian Sales Framework Agreement, the YOFC Shanghai Sales Framework Agreement, the Prysmian Purchase Framework Agreement or the YOFC Shanghai Purchase Framework Agreement, the Company, as confirmed by the Directors, will comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

With the stipulation of the above requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the sale and purchase transactions with the Prysmian Group and YOFC Shanghai and the respective proposed annual caps and hence the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having taken into account of the above factors and reasons, we are of the view that the terms of (i) the Prysmian Sales Framework Agreement; (ii) the YOFC Shanghai Sales Framework Agreement; (iii) the Prysmian Purchase Framework Agreement; and (iv) the YOFC Shanghai Purchase Framework Agreement and the respective proposed annual caps are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the sale and purchase transactions with the Prysmian Group and YOFC Shanghai 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.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
TC Capital International Limited
Edward Wu **Stanley Chung**
Chairman *Managing Director*

Note: Mr. Edward Wu has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance since 2005. Mr. Stanley Chung has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance since 2006. Both Mr. Wu and Mr. Chung have participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong.

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) 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						
Wen Huiguo	Beneficial owner	Domestic Share	2,350,000 ⁽²⁾	0.34%	0.71%	Long position
Frank Franciscus Dorjee	Beneficial owner	H Share	500,000	0.07%	0.14%	Long position
Yao Jingming	Beneficial owner	Domestic Share	500,000 ⁽²⁾	0.07%	0.15%	Long position
Yeung Kwok Ki Anthony	Beneficial owner	H Share	705,000	0.10%	0.20%	Long position
Xiong Xiangfeng	Beneficial owner	Domestic Share	705,000 ⁽²⁾	0.10%	0.21%	Long position

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
Zheng Huili	Beneficial owner	Domestic Share	705,000 ⁽²⁾	0.10%	0.21%	Long position
Supervisor Jiang Zhikang	Beneficial owner	Domestic Share	723,000 ⁽²⁾	0.11%	0.22%	Long position
General Manager Zhuang Dan	Beneficial owner	Domestic Share	2,350,000 ⁽²⁾	0.34%	0.71%	Long position

Notes:

- (1) As at the Latest Practicable Date, the total number of issued shares of the Company was 682,114,598, among which 351,566,794 were H Shares and 330,547,804 were Domestic Shares.
- (2) Denotes the number of underlying Domestic Shares represented by the units in Wuhan Ruitu Management Consulting Partnership Enterprise (Limited Partnership) held by the relevant Directors, supervisor and Mr. Zhuang Dan. Wuhan Ruitu Management Consulting Partnership Enterprise (Limited Partnership) was established under PRC laws on December 4, 2015 for the purpose of holding Domestic Shares for the Directors and senior management members of the Company under the 2015 Core Employee Stock Ownership Scheme of the Company.

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 the Specific Company
Wen Huiguo	A member of the management committee of China Huaxin
Ma Jie	The vice chairman of the management committee and the executive deputy general manager of China Huaxin, and a non-executive director in certain subsidiaries of China Huaxin
Yao Jingming	The deputy general manager 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 and a joint venture owned as to 50% by the Prysmian Group
Xiong Xiangfeng	The president of Yangtze Communications and several positions in certain subsidiaries of Yangtze Communications
Zheng Huili	The deputy secretary of the party committee and the general secretary of the discipline committee 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 of Shareholders	Capacity	Class of Share	Number of Shares interested	Approximate percentage of interest in the Company ⁽¹⁾	Approximate percentage of the relevant class of Shares of the Company ⁽¹⁾	Nature of interest
China Huaxin ⁽²⁾	Beneficial owner	Domestic Share	179,827,794	26.36%	54.40%	Long position
China Reform Holdings Corporation Ltd ⁽²⁾	Interest of a controlled corporation	Domestic Share	179,827,794	26.36%	54.40%	Long position
Yangtze Communications	Beneficial owner	Domestic Share	119,937,010	17.58%	36.28%	Long position
Draka ⁽³⁾	Beneficial owner	H Share	179,827,794	26.36%	51.15%	Long position
Draka Holding B.V. ⁽³⁾	Interest of a controlled corporation	H Share	179,827,794	26.36%	51.15%	Long position
Prysmian S.p.A. ⁽⁴⁾	Interest of a controlled corporation	H Share	179,827,794	26.36%	51.15%	Long position
Prysmian Cavi e Sistemi S.r.L. ⁽⁴⁾	Interest of a controlled corporation	H Share	179,827,794	26.36%	51.15%	Long position
Value Partners Group Limited ⁽⁵⁾	Interest of a controlled corporation	H Share	31,191,500	4.57%	8.87%	Long position
Value Partners High-Dividend Stocks Fund	Beneficial Owner	H Share	31,558,000	4.63%	8.97%	Long position
Integrated Asset Management (Asia) Limited ⁽⁶⁾	Beneficial owner	H Share	17,400,000	2.55%	4.95%	Long position
Yam Tak Cheung ⁽⁶⁾	Interest of a controlled corporation	H Share	17,400,000	2.55%	4.95%	Long position

Notes:

- (1) As at the Latest Practicable Date, the total number of issued shares of the Company was 682,114,598, among which 351,566,794 were H Shares and 330,547,804 were Domestic Shares.
- (2) China Huaxin is wholly owned by China Reform Holdings Corporation Ltd. China Reform Holdings Corporation Ltd is therefore deemed to be interested in 179,827,794 Domestic Shares being 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 being held by Draka.
- (4) Draka Holding B.V. is held as to 52.165% by Prysmian S.p.A. and 47.835% by Prysmian Cavi e Sistemi S.r.L., a wholly-owned subsidiary of Prysmian S.p.A. As set out in note (3) above, each of Prysmian S.p.A. and Prysmian Cavi e Sistemi S.r.L. is therefore deemed to be interested in 179,827,794 H Shares held by Draka.
- (5) Value Partners Group Limited is deemed to be interested in 31,191,500 H Shares held by Value Partners Limited. Value Partners Limited is wholly owned by Value Partners Hong Kong Limited, which is a wholly-owned subsidiary of Value Partners Group Limited.
- (6) Integrated Asset Management (Asia) Limited is wholly owned by Mr. Yam Tak Cheung and Mr. Yam Tak Cheung is therefore deemed to be interested in 17,400,000 H Shares held by Integrated Asset Management (Asia) Limited.

3. COMPETING INTERESTS

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 who has been serving as the senior vice-president of telecom business of the group of Prysmian S.p.A. and primarily responsible for its global telecom business. 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 holds several positions in certain subsidiaries of Prysmian S.p.A. and a joint venture owned as to 50% by the Prysmian Group as more particularly described below:

Name of Company	Nature of Interests
Draka	Executive Director
Draka Fibre	Non-executive Director
Draka France	Member of Comité de Contrôle
Draka Comteq Iberica S.L.U.	Non-executive Director
Fibre Ottiche Sud S.r.l.	Chairman of the Board of Directors
Prysmian Cables and Systems USA LLC	Non-executive Director
Precision Fibre Optics Ltd.	Non-executive Director

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, 2015, 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

TC Capital has given and has not withdrawn its consent to the issue of this circular with the inclusion herein of its letter of advice dated December 9, 2016 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
TC Capital International Limited	a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, TC 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, TC Capital was not interested, directly or indirectly, in any assets which had since December 31, 2015, 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 confirmed that they were not aware of any material adverse change in the financial or trading positions of the Group since December 31, 2015, being the date to which the latest published audited accounts of the Group were made up.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the office of Simpson Thacher & Bartlett at 35th Floor, ICBC Tower, 3 Garden Road, Central, Hong Kong from the date of this circular up to and including December 30, 2016 and at the EGM.

- (a) the Sales Framework Agreements and the Purchase Framework Agreements;
- (b) the letter from the Independent Board Committee dated December 9, 2016, the text of which is set out on pages 32 to 33 of this circular;
- (c) the letter from the Independent Financial Adviser dated December 9, 2016, the text of which is set out on pages 34 to 66 of this circular;
- (d) the consent letter from TC Capital referred to in the paragraph headed "Expert and Consent" in this Appendix;
- (e) the articles of association of the Company; and
- (f) this circular.

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 Level 22, Hopewell Centre, 183 Queen's Road East, 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



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 on Tuesday, January 24, 2017 at 10:00 a.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 as ordinary resolutions of the Company:

1. “**THAT** the continuing connected transactions contemplated under the purchase framework agreement entered into between Prysmian S.p.A. and the Company on November 11, 2016, 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.”
2. “**THAT** the continuing connected transactions contemplated under the sales framework agreement entered into between Prysmian S.p.A. and the Company on November 11, 2016, 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 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** the continuing connected transactions contemplated under the purchase framework agreement entered into between Yangtze Optical Fibre and Cable (Shanghai) Co., Ltd. (長飛光纖光纜(上海)有限公司) and the Company on November 11, 2016, 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

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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 sales framework agreement entered into between Yangtze Optical Fibre and Cable (Shanghai) Co., Ltd. (長飛光纖光纜(上海)有限公司) and the Company on November 11, 2016, 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.”

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
Wen Huiguo
Chairman

Wuhan, PRC, December 9, 2016

Notes:

(1) 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 Sunday, December 25, 2016 to Tuesday, January 24, 2017 (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, December 23, 2016 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 Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, at or before 4:30 p.m. on Friday, December 23, 2016.

(2) 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 for holder of H Shares and to the Company’s Board of Directors’ Office for holders of domestic shares of the Company (the “**Domestic Shares**”) by hand or by post not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the proxy form will not

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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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. The Company's Board of Directors' Office is located at No. 9 Guanggu Avenue, East Lake High-tech Development Zone, Wuhan, Hubei Province, PRC (Postal code: 430073).

(3) Reply Slip

Shareholders who intend to attend the EGM in person or by proxy should return the reply slip by hand, by fax or by post to the H Share registrar of the Company, Tricor Investor Services Limited, for holder of H Shares, or the Company's Board of Directors' Office, for holder of Domestic Shares, on or before Wednesday, January 4, 2017. The address of Tricor Investor Services Limited is Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (Tel: (852) 2980 1333, Fax: (852) 2810 8185). The Company's Board of Directors' Office is located at No. 9 Guanggu Avenue, East Lake High-tech Development Zone, Wuhan, Hubei Province, PRC (Postal code: 430073) (Tel: (86 27) 6878 9000, Fax: (86 27) 6878 9100).

(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 10:00 a.m.. Registration for admission to the EGM will take place from 9:00 a.m. to 10:00 a.m..

* *For identification purposes only*