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長飛光纖光纜股份有限公司

Yangtze Optical Fibre and Cable Joint Stock Limited Company*

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

(Stock Code: 6869)

CONNECTED TRANSACTION

ACQUISITION OF THE 20% EQUITY INTEREST IN WUHAN YOFC CABLES

THE ACQUISITION

The Board is pleased to announce that on 23 April 2018, the Company and Yangtze Communications entered into the Equity Transfer Agreement, pursuant to which the Company agreed to purchase, and Yangtze Communications agreed to sell, the Sale Interest at a cash consideration of RMB25,350,000.

As at the date of this announcement, Wuhan YOFC Cables is held as to 80% by the Company and 20% by Yangtze Communications. Upon completion of the Acquisition, Wuhan YOFC Cables will become a wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Yangtze Communications holds approximately 17.58% of the total issued share capital of the Company and is therefore a substantial shareholder and hence a connected person of the Company under the Listing Rules.

Accordingly, the Acquisition constitutes a connected transaction under the Listing Rules. As all the relevant percentage ratios under the Listing Rules in respect of the Acquisition are more than 0.1% but less than 5%, the Acquisition is subject to the reporting and announcement requirements but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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PRINCIPAL TERMS OF THE EQUITY TRANSFER AGREEMENT

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

Date

23 April 2018

Parties

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

Assets to be acquired

Pursuant to the Equity Transfer Agreement, the Company agreed to purchase, and Yangtze Communications agreed to sell, the Sale Interest representing 20% of the equity interest in Wuhan YOFC Cables.

As at the date of this announcement, Wuhan YOFC Cables is held as to 80% by the Company and 20% by Yangtze Communications. Upon completion of the Acquisition, Wuhan YOFC Cables will become a wholly-owned subsidiary of the Company.

Consideration

In March 2018, Yangtze Communications listed the Sale Interest on sale by way of public tender through the Beijing Equity Exchange. Pursuant to the public tender results announced by the Beijing Equity Exchange, the consideration for the transfer of the Sale Interest is RMB25,350,000. The consideration has been determined with reference to an asset valuation report issued by a qualified valuer, namely Hubei Zhonglian Asset Valuation Co., Ltd.* (湖北眾聯資產評估有限公司), with an appraisal date of 31 July 2017. The appraised value of the total shareholders equity of Wuhan YOFC Cables is RMB126,697,200.

Upon confirmation by the Beijing Equity Exchange of its qualification as a transferee, the Company was requested to pay a cash deposit of RMB7,605,000 to a designated account of the Beijing Equity Exchange as a guarantee for the transaction and as a proof of its financial capability to perform the contract, and such deposit was paid on 20 April 2018. The balance of the consideration of RMB17,745,000, being the consideration for the transfer of the Sale Interest minus the deposit of RMB7,605,000, shall be payable by the Company in cash within five working days of the date of the Equity Transfer Agreement.

The deposit has been, and the balance of the consideration will be, funded by the Group's internal resources.

Completion

Completion for the Acquisition shall take place upon the completion of the registration procedures and the obtaining of necessary approvals from relevant authorities of the PRC. Within five working days of the issue of the equity transfer certificate by the Beijing Equity Exchange in respect of the Acquisition, Yangtze Communications shall procure: (i) the passing of the relevant shareholders' resolutions by Wuhan YOFC Cables approving the Acquisition; (ii) the amendment of the articles of association of Wuhan YOFC Cables; and (iii) the completion of the registration procedures in respect of the equity transfer.

INFORMATION ON WUHAN YOFC CABLES

Wuhan YOFC Cables was established on 1 December 1999 in the PRC and is principally engaged in the production and sales of copper cables and related products.

Set out below is the financial information of Wuhan YOFC Cables for the two financial years ended 31 December 2016 and 2017 as extracted from its financial statements prepared in accordance with the CASBE:

	For the year ended 31 December	
	2017	2016
	<i>RMB</i>	<i>RMB</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Revenue	248,832,599	117,933,141
Net profit before taxation	14,457,634	1,562,296
Net profit after taxation ^{Note}	14,457,634	1,562,296

	As at 31 December	
	2017	2016
	<i>RMB</i>	<i>RMB</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Total assets	163,073,648	126,376,520
Total liabilities	69,104,730	46,865,236
Net assets	93,968,918	79,511,284

Note:

In 2016 and 2017, Wuhan YOFC Cables had losses from the past years which had not been made up and was therefore not required to pay any income tax for the current period.

Since Wuhan YOFC Cables was established by, among others, the Company and Yangtze Communications, the original acquisition cost of 20% equity interest in Wuhan YOFC Cables to Yangtze Communications was USD2,400,000, being the amount of registered capital of Wuhan YOFC Cables initially contributed by Yangtze Communications.

INFORMATION ON THE COMPANY AND YANGTZE COMMUNICATIONS

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

Yangtze Communications is a company established in the PRC on 2 January 1996 and is mainly engaged in the investment, research and development and manufacture, as well as sales of communications products. It also provides integrated communications and information systems related technical services. Yangtze Communications is a company listed on the Shanghai Stock Exchange (stock code: 600345). As at the date of this announcement, Yangtze Communications holds 17.58% of the total issued share capital of the Company.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Acquisition is part of the Group's continued growth strategy. Upon completion of the Acquisition, the Group will own the entire equity interest of Wuhan YOFC Cables, therefore consolidating its control over Wuhan YOFC Cables and enhancing the efficiency of the decision-making process and business operations of Wuhan YOFC Cables and thereby further strengthening the profitability of Wuhan YOFC Cables. The Group will be benefited.

The Directors (including the independent non-executive Directors) consider that the terms of the Equity Transfer Agreement are fair and reasonable and on normal commercial terms, and that the entering into of the Equity Transfer Agreement is in the interest of the Company and the shareholders of the Company as a whole.

None of the Directors has a material interest in the Equity Transfer Agreement or is required to abstain from voting on the Board resolution in relation to the Equity Transfer Agreement except for Mr. Xiong Xiangfeng. Mr. Xiong Xiangfeng is the president of Yangtze Communications.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Yangtze Communications holds approximately 17.58% of the total issued share capital of the Company and is therefore a substantial shareholder and hence a connected person of the Company under the Listing Rules.

Accordingly, the Acquisition constitutes a connected transaction under the Listing Rules. As all the relevant percentage ratios under the Listing Rules in respect of the Acquisition are more than 0.1% but less than 5%, the Acquisition is subject to the reporting and announcement requirements but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of the 20% equity interest in Wuhan YOFC Cables pursuant to the Equity Transfer Agreement
“Beijing Equity Exchange”	the Beijing Equity Exchange (北京產權交易所) of the PRC
“Board”	the board of directors of the Company
“CASBE”	the China Accounting Standards for Business Enterprises (中國企業會計準則)
“Company”	Yangtze Optical Fibre and Cable Joint Stock Limited Company* (長飛光纖光纜股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the 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
“Directors”	the directors of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 23 April 2018 entered into between the Company as transferee and Yangtze Communications as transferor in relation to the Acquisition
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“H 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
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	the 20% equity interest in Wuhan YOFC Cables
“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
“Wuhan YOFC Cables”	Wuhan YOFC Cables Co., Ltd.* (武漢長飛通用電纜有限公司), a company established in the PRC on 1 December 1999 and formerly known as NK Wuhan Cable Co., Ltd. (武漢安凱電纜有限公司), and a non-wholly owned subsidiary of the Company prior to completion of the Acquisition

“Yangtze
Communications”

Wuhan Yangtze Communications Industry Group Co., Ltd.* (武漢長江通信產業集團股份有限公司), a company established in the PRC on 2 January 1996 which holds 17.58% of the total issued share capital of the Company as at the date of this announcement and a connected person of the Company

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

Ma Jie
Chairman

Wuhan, PRC, 23 April 2018

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

** For identification purposes only*