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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)

**REVISED ANNUAL CAPS FOR THE CONTINUING CONNECTED
TRANSACTIONS WITH THE PRYSMIAN GROUP AND YOFC
SHANGHAI IN RESPECT OF 2015 AND 2016**

Reference is made to the Prospectus 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 Prysmian Sales Framework Agreement with Prysmian S.p.A. and the 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 Prysmian Purchase Framework Agreement with Prysmian S.p.A. and the 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 year ended December 31, 2014 and the years ending December 31, 2015 and 2016.

* For identification purposes only

The Company has closely monitored the progress of its continuing connected transactions. With the continued development of the business of the Group and based on internal estimates of demand and the current prospects of the Group's operations, the Board considers that the existing annual caps in respect of 2015 and 2016 for (1) the sales of optical fibres, optical fibre cables, raw materials, equipment and components by the Group to certain members of the Prysmian Group and YOFC Shanghai and (2) the purchases of optical fibre preforms, optical fibres, optical fibre cables, equipment parts and spare parts by the Group from certain members of the Prysmian Group and YOFC Shanghai, will not be able to satisfy the business needs of the Group and the demands from the Prysmian Group for the years ending December 31, 2015 and 2016.

The existing annual caps for the sales transactions contemplated under the Prysmian Sales Framework Agreement and the YOFC Shanghai Sales Framework Agreement, as aggregated, are RMB331,000,000, RMB318,000,000 and RMB342,000,000 for the year ended December 31, 2014 and the years ending December 31, 2015 and 2016, respectively. The existing annual caps for the purchase transactions contemplated under the Prysmian Purchase Framework Agreement and the YOFC Shanghai Purchase Framework Agreement, as aggregated, are RMB307,000,000, RMB320,000,000 and RMB334,000,000 for the year ended December 31, 2014 and the years ending December 31, 2015 and 2016, respectively. The actual transaction amounts for the sales transactions with each of Draka Fibre, Draka Singapore, Prysmian Wuxi, Prysmian Brazil and YOFC Shanghai contemplated under the Prysmian Sales Framework Agreement and the YOFC Shanghai Sales Framework Agreement and the purchase transactions with each of Draka Fibre, Draka France and YOFC Shanghai contemplated under the Prysmian Purchase Framework Agreement and the YOFC Shanghai Purchase Framework Agreement have not exceeded the respective annual caps as set out in the tables under the paragraphs headed "3. HISTORICAL AMOUNTS, EXISTING AND PROPOSED REVISED CAPS AND REASONS FOR REVISING THE CAPS IN RELATION TO THE SALES TRANSACTIONS WITH THE PRYSMIAN GROUP AND YOFC SHANGHAI – 3.1. Historical amounts, existing annual caps and proposed revised annual caps" and "5. HISTORICAL AMOUNTS, EXISTING AND PROPOSED REVISED CAPS AND REASONS FOR REVISING THE CAPS IN RELATION TO THE PURCHASE TRANSACTIONS WITH THE PRYSMIAN GROUP AND YOFC SHANGHAI – 5.1. Historical amounts, existing annual caps and proposed revised annual caps" for the year ended December 31, 2014. In addition, as at the date of this announcement, the actual transaction amounts for these sales and purchase transactions also have not exceeded the respective annual caps as set out in the tables mentioned above for the year ending December 31, 2015.

The Board proposes that the existing annual caps for the sales transactions and the purchase transactions with the Prysmian Group and YOFC Shanghai in respect of 2015 and 2016 be revised in order to satisfy the business needs of the Group and the increasing demands of the Prysmian Group.

As at the date of this announcement, Draka holds approximately 28.12% 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.

Since Draka Fibre, Draka Singapore, Prysmian Wuxi, Prysmian Brazil and YOFC Shanghai are connected persons of our 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 Draka Fibre, Draka Singapore, Prysmian Wuxi and Prysmian Brazil 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 annual caps in respect of the sales transactions with each of Draka Fibre, Draka Singapore, Prysmian Wuxi, Prysmian Brazil and YOFC Shanghai are aggregated, and such aggregate amount is used when calculating the relevant percentage ratios under Chapter 14A of the Listing Rules.

Since Draka Fibre, Draka France, Prysmian Wuxi and YOFC Shanghai are connected persons of our 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 Draka Fibre, Draka France and Prysmian Wuxi 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 annual caps in respect of the purchase transactions with each of Draka Fibre, Draka France, Prysmian Wuxi and YOFC Shanghai are aggregated, and such aggregate amount is used when calculating the relevant percentage ratios under Chapter 14A of 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 aggregated, and (2) the purchase transactions with the Prysmian Group and YOFC Shanghai, as aggregated, in each case is expected to be more than 5.0% on an annual basis, the sales transactions and the purchase transactions are respectively subject to the annual reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Extraordinary General Meeting will be convened to consider and, if thought fit, to approve the Revised Annual Caps. In accordance with the Listing Rules, Draka and its associates, being connected persons of the Company, will abstain from voting on the ordinary resolutions to approve the Revised Annual Caps at the Extraordinary General Meeting.

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Revised Annual Caps. In this respect, Fortune Financial Capital has been retained as the independent financial adviser to the Independent Board Committee and the Independent Shareholders.

A circular containing, among others, further information on the Revised Annual Caps, a letter from the Independent Board Committee to the Independent Shareholders containing its recommendation, a letter of advice from Fortune Financial Capital to the Independent Board Committee and the Independent Shareholders, together with a notice to convene the Extraordinary General Meeting to approve the Revised Annual Caps, is expected to be dispatched to the Shareholders as soon as practicable and within 15 business days after the publication of this announcement.

1. BACKGROUND

Reference is made to the Prospectus 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 Prysmian Sales Framework Agreement with Prysmian S.p.A. and the 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 Prysmian Purchase Framework Agreement with Prysmian S.p.A. and the 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 year ended December 31, 2014 and the years ending December 31, 2015 and 2016.

The Company has closely monitored the progress of its continuing connected transactions. With the continued development of the business of the Group and based on internal estimates of demand and the current prospects of the Group's operations, the Board considers that the existing annual caps in respect of 2015 and 2016 for (1) the sales of optical fibres, optical fibre cables, raw materials, equipment and components by the Group to certain members of the Prysmian Group and YOFC Shanghai and (2) the purchases of optical fibre preforms, optical fibres, optical fibre cables, equipment parts and spare parts by the Group from certain members of the Prysmian Group and YOFC Shanghai, will not be able to satisfy the business needs of the Group and the demands from the Prysmian Group for the years ending December 31, 2015 and 2016.

The existing annual caps for the sales transactions contemplated under the Prysmian Sales Framework Agreement and the YOFC Shanghai Sales Framework Agreement, as aggregated, are RMB331,000,000, RMB318,000,000 and RMB342,000,000 for the year ended December 31, 2014 and the years ending December 31, 2015 and 2016, respectively. The existing annual caps for the purchase transactions contemplated under the Prysmian Purchase Framework Agreement and the YOFC Shanghai Purchase Framework Agreement, as aggregated, are RMB307,000,000, RMB320,000,000 and RMB334,000,000 for the year ended December 31, 2014 and the years ending December 31, 2015 and 2016, respectively. The actual transaction amounts for the sales transactions with each of Draka Fibre, Draka Singapore, Prysmian Wuxi, Prysmian Brazil and YOFC Shanghai contemplated under the Prysmian Sales Framework Agreement and the YOFC Shanghai Sales Framework Agreement and the purchase transactions with each of Draka Fibre, Draka France and YOFC Shanghai contemplated under the Prysmian Purchase Framework Agreement and the YOFC Shanghai Purchase Framework Agreement have not exceeded the respective annual caps as set out in the tables under the paragraphs headed “3. HISTORICAL AMOUNTS, EXISTING AND PROPOSED REVISED CAPS AND REASONS FOR REVISING THE CAPS IN RELATION TO THE SALES TRANSACTIONS WITH THE PRYSMIAN GROUP AND YOFC SHANGHAI – 3.1. Historical amounts, existing annual caps and proposed revised annual caps” and “5. HISTORICAL AMOUNTS, EXISTING AND PROPOSED REVISED CAPS AND REASONS FOR REVISING THE CAPS IN RELATION TO THE PURCHASE TRANSACTIONS WITH THE PRYSMIAN GROUP AND YOFC SHANGHAI – 5.1. Historical amounts, existing annual caps and proposed revised annual caps” for the year ended December 31, 2014. In addition, as at the date of this announcement, the actual transaction amounts for these sales and purchase transactions also have not exceeded the respective annual caps as set out in the tables mentioned above for the year ending December 31, 2015.

2. SALES TRANSACTIONS WITH THE PRYSMIAN GROUP AND YOFC SHANGHAI

The Group sells optical fibres, optical fibre cables, raw materials, equipment and components to certain members of the Prysmian Group and YOFC Shanghai in the ordinary and usual course of business. Before the listing of the H Shares on the Stock Exchange, the Company entered into the Prysmian Sales Framework Agreement with Prysmian S.p.A. and the YOFC Shanghai Sales Framework Agreement with YOFC Shanghai to regulate the sales transactions with the Prysmian Group and YOFC Shanghai, respectively. No terms have been modified or changed since the parties entered into the Sales Framework Agreements. The principal terms of the Sales

Framework Agreements which have been set out in the Prospectus are summarized below:

Date: November 13, 2014

Parties: The Prysmian Sales Framework Agreement was entered into between the Company and Prysmian S.p.A..

The YOFC Shanghai Sales Framework Agreement was entered into between the Company and YOFC Shanghai.

Duration: Each of the Sales Framework Agreements became effective on December 10, 2014 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: 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
- (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.

3. HISTORICAL AMOUNTS, EXISTING AND PROPOSED REVISED CAPS AND REASONS FOR REVISING THE CAPS IN RELATION TO THE SALES TRANSACTIONS WITH THE PRYSMIAN GROUP AND YOFC SHANGHAI

3.1. Historical amounts, existing annual caps and proposed revised annual caps

The Company has closely monitored the progress of its sales transactions with the Prysmian Group and YOFC Shanghai. As of the date of this announcement, the actual transaction amounts for the sales transactions with the relevant entities have not exceeded the respective original annual caps for the year ending December 31, 2015 as set out in the table below.

The table below sets out, in relation to each relevant purchaser that is a member of the Prysmian Group and a connected person 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:

| Seller | Purchaser | Goods | For the year ended | | | Four | |
|---|-----------------|--|--------------------|--------|--------|-----------|--|
| | | | December 31, | | | months | |
| | | | 2012 | 2013 | 2014 | ended | |
| | | | | | | April 30, | |
| | | | | | | 2015 | |
| | | | <i>(RMB'000)</i> | | | | |
| The Prysmian Sales Framework Agreement | | | | | | | |
| The Company | Draka Fibre | Optical fibres | Nil | 533 | Nil | Nil | |
| | Draka Singapore | Optical fibre cables . . | 2,501 | 13,230 | 16,049 | 4,471 | |
| | Prysmian Wuxi | Optical fibres and optical fibre cables . . | 26,590 | 27,874 | 40,564 | 16,577 | |
| | Prysmian Brazil | Optical fibres and optical fibre cables . . | Nil | Nil | 5,585 | Nil | |

| Seller | Purchaser | Goods | For the year ended | | | Four |
|--------|-----------|-------|--------------------|------|-----------|--------|
| | | | December 31, | | | months |
| | | | 2012 | 2013 | 2014 | ended |
| | | | | | April 30, | |
| | | | | | 2015 | |
| | | | <i>(RMB'000)</i> | | | |

The YOFC Shanghai Sales Framework Agreement

| | | | | | | |
|-------------|---------------|---|----------------|----------------|----------------|---------------|
| The Company | YOFC Shanghai | Optical fibres, optical fibre cables, raw materials, equipment and components | 207,307 | 234,544 | 215,918 | 69,318 |
| | | Sub-Total | 236,398 | 276,181 | 278,116 | 90,366 |

For the reasons detailed below, the Board proposes that the existing annual caps for the sales transactions with the Prysmian Group in respect of 2015 and 2016 be revised for the years ending December 31, 2015 and 2016. The table below sets out the existing annual caps and the proposed revised annual caps for the sales transactions with the Prysmian Group and YOFC Shanghai for the years ending December 31, 2015 and 2016.

| Seller | Purchaser | Goods | Year ended December 31, | | | | |
|--------|-----------|-------|-------------------------|------------------------|---------------------|------------------------|--|
| | | | 2015 | | 2016 | | |
| | | | Original annual cap | as originally approved | Original annual cap | as originally approved | |
| | | | | | | | |
| | | | | | | | |
| | | | <i>(RMB'000)</i> | | | | |

The Prysmian Sales Framework Agreement

| | | | | | | |
|-----------|-----------------|----------------------------|--------|--------|--------|--------|
| The Group | Draka Fibre | Optical fibres | 2,000 | 2,000 | 2,000 | 2,000 |
| | Draka Singapore | Optical fibre cables . . . | 20,000 | 24,000 | 20,000 | 29,000 |

| Seller | Purchaser | Goods | Year ended December 31, | | | |
|--|-----------------|---|--|------------------------|--|------------------------|
| | | | 2015 | | 2016 | |
| | | | Proposed revised annual cap/annual cap to remain | | Proposed revised annual cap/annual cap to remain | |
| | | | Original annual cap | as originally approved | Original annual cap | as originally approved |
| <i>(RMB'000)</i> | | | | | | |
| | Prysmian Wuxi | Optical fibres and optical fibre cables . . . | 40,000 | 120,000 | 44,000 | 126,000 |
| | Prysmian Brazil | Optical fibres and optical fibre cables . . . | 13,000 | 13,000 | 20,000 | 20,000 |
| The YOFC Shanghai Sales Framework Agreement | | | | | | |
| The Group | YOFC Shanghai | Optical fibres, optical fibre cables, raw materials, equipment and components | 243,000 | 243,000 | 256,000 | 256,000 |
| | | Sub-Total | 318,000 | 402,000 | 342,000 | 433,000 |

3.2. Reasons for revising the caps

With the rapid development of the Company's businesses and based on the Company's projected growth and expansion, the Board considers that the existing annual caps in respect of 2015 and 2016 for the sales transactions with the Prysmian Group will not be able to satisfy the business needs of the Group and the demands from the Prysmian Group for the two years ending December 31, 2015 and 2016.

In arriving at the above proposed revised annual caps, the Company has taken into account the followings:

- (i) the historical transaction amounts with the Prysmian Group;

- (ii) the significant 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; and
- (iii) the increase in demand for optical fibres by Prysmian Wuxi as driven by the increase in production of optical fibre cables as a result of its expected growth in export business and in consideration of timely supply and fast local delivery services offered by the Company, as well as the capacity backup for optical fibres in response to the long-term partnership between the Company and the Prysmian Group.

Since Draka Fibre, Draka Singapore, Prysmian Wuxi, Prysmian Brazil and YOFC Shanghai are connected persons of our 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 Draka Fibre, Draka Singapore, Prysmian Wuxi and Prysmian Brazil 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 annual caps in respect of the sales transactions with each of Draka Fibre, Draka Singapore, Prysmian Wuxi, Prysmian Brazil 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 revised 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.

4. PURCHASE TRANSACTIONS WITH THE PRYSMIAN GROUP AND YOFC SHANGHAI

The Group purchases optical fibre preforms, optical fibres, optical fibre cables, equipment parts and spare parts from certain members of the Prysmian Group and YOFC Shanghai in the ordinary and usual course of business. Before the listing of the H Shares on the Stock Exchange, the Company entered into the Prysmian Purchase Framework Agreement with Prysmian S.p.A. and the YOFC Shanghai Purchase Framework Agreement with YOFC Shanghai to regulate the purchase transactions with the Prysmian Group and YOFC Shanghai, respectively. No terms have been modified or changed since the parties entered into the Purchase Framework Agreements. The

principal terms of the Purchase Framework Agreements which have been set out in the Prospectus are summarized below:

Signing Date: November 13, 2014

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 became effective on December 10, 2014 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 optical fibre preforms, optical fibres, optical fibre cables, equipment parts and spare parts.

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; or
- (ii) the prevailing tender price announced by the state-owned telecommunications operators in the PRC;

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.

5. HISTORICAL AMOUNTS, EXISTING AND PROPOSED REVISED CAPS AND REASONS FOR REVISING THE CAPS IN RELATION TO THE PURCHASE TRANSACTIONS WITH THE PRYSMIAN GROUP AND YOFC SHANGHAI

5.1. Historical amounts, existing annual caps and proposed revised annual caps

The Company has closely monitored the progress of its purchase transactions with the Prysmian Group and YOFC Shanghai. As of the date of this announcement, the actual transaction amounts for the purchase transactions with the relevant entities have not exceeded the respective original annual caps for the year ending December 31, 2015 as stated in the table below.

The table below sets out, in relation to each relevant seller that is a member of the Prysmian Group and connected person 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:

| Purchaser | Seller | Goods | For the year ended December 31, | | | Four months ended |
|---|---------------|---|---------------------------------|----------------|----------------|-------------------|
| | | | 2012 | 2013 | 2014 | April 30, 2015 |
| <i>(RMB'000)</i> | | | | | | |
| The Prysmian Purchase Framework Agreement | | | | | | |
| The Company | Draka Fibre | Equipment parts for optical fibre production, optical fibres and optical fibre cables | 51,200 | 3,369 | 10,132 | 767 |
| | Draka France | Optical fibre preforms and optical fibres. . . . | 84,443 | 130,531 | 7,901 | 796 |
| The YOFC Shanghai Purchase Framework Agreement | | | | | | |
| The Company | YOFC Shanghai | Optical fibres, optical fibre cables and spare parts | 214,958 | 210,017 | 184,833 | 66,802 |
| | | Sub-Total | 350,601 | 343,917 | 202,866 | 68,365 |

For the reasons detailed below, the Board proposes that the existing annual caps for the purchase transactions with the Prysmian Group in respect of 2015 and 2016 be revised for the years ending December 31, 2015 and 2016. The table below sets out the existing annual caps and the proposed revised annual caps for the purchase transactions with the Prysmian Group and YOFC Shanghai for the years ending December 31, 2015 and 2016.

| Purchaser | Seller | Goods | Year ended December 31, | | | |
|---|---------------|---|---|--|---|--|
| | | | 2015 | | 2016 | |
| | | | Proposed revised annual cap/ annual cap to remain | Original as originally approved annual cap | Proposed revised annual cap/ annual cap to remain | Original as originally approved annual cap |
| | | | <i>(RMB'000)</i> | | | |
| The Prysmian Purchase Framework Agreement | | | | | | |
| The Group | Draka Fibre | Equipment parts for optical fibre production, optical fibres and optical fibre cables . . . | 12,000 | 42,000 | 12,000 | 60,000 |
| | Draka France | Optical fibre preforms and optical fibres | 36,000 | 36,000 | 36,000 | 36,000 |
| | Prysmian Wuxi | Optical fibre cables . . . | Nil | 12,000 | Nil | 13,000 |
| The YOFC Shanghai Purchase Framework Agreement | | | | | | |
| The Group | YOFC Shanghai | Optical fibres, optical fibre cables and spare parts. | 272,000 | 272,000 | 286,000 | 286,000 |
| | | Sub-Total | 320,000 | 362,000 | 334,000 | 395,000 |

5.2. Reasons for revising the caps

With the rapid development of the Company's businesses and based on the Company's projected growth and expansion, the Board considers that the existing annual caps in respect of 2015 and 2016 for the purchase transactions with the Prysmian Group will not be able to satisfy business needs of the Company and the Prysmian Group for the two years ending December 31, 2015 and 2016.

In arriving at the above proposed revised annual caps, the Company has taken into account the followings:

- (i) the historical transaction amounts with the Prysmian Group;
- (ii) the increase in demand for multi-modes optical fibres, of which the Company has nearly reached its full production capacity, from Draka Fibre as a result of the business expansion of the Company; and
- (iii) the capacity backup for optical fibre cables in response to the long-term partnership between the Company and the Prysmian Group.

Since Draka Fibre, Draka France, Prysmian Wuxi and YOFC Shanghai are connected persons of our 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 Draka Fibre, Draka France and Prysmian Wuxi 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 annual caps in respect of the purchase transactions with each of Draka Fibre, Draka France, Prysmian Wuxi and YOFC Shanghai are aggregated, and such aggregate amount is used when calculating the relevant percentage ratios under Chapter 14A of the Listing Rules.

6. REASONS FOR AND BENEFITS OF THE 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 interest of the Shareholders as a whole.

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 Shareholders as a whole. The Directors (other than the independent non-executive Directors) are of the view that the Revised Annual Caps are fair and reasonable and in the interests of the Shareholders as a whole. The independent non-executive Directors will form their views in respect of the Revised Annual Caps after receiving advice from the Independent Financial Adviser.

None of the Directors has material interest in the Continuing Connected Transactions or is required to abstain from voting on the Board resolution in relation to the Revised Annual Caps except for Mr. Philippe Claude Vanhille. Mr. Vanhille has been serving as the senior vice-president of telecom business of the group of Prysmian S.p.A. and is primarily responsible for its global telecom business.

7. INFORMATION ON THE COMPANY, THE PRYSMIAN GROUP 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). The Prysmian Group is a world leader in the energy and telecom cables and systems industry. In the telecom sector, the Prysmian Group manufactures cables and accessories for the voice, video and data transmission industry, offering a complete range of optical fibre preforms, optical fibres, optical and copper cables and connectivity systems.

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

8. LISTING RULES IMPLICATIONS

As at the date of this announcement, Draka holds approximately 28.12% 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.

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 aggregated, and (2) the purchase transactions with the Prysmian Group and YOFC Shanghai, as aggregated, in each case is expected to be more than 5.0% on an annual basis, the sales transactions and the purchase transactions 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 at the Extraordinary General Meeting on resolutions to approve the proposed revised annual caps in respect of the sales transactions and the purchase transactions between the Group on one hand and the Prysmian Group and YOFC Shanghai, respectively, on the other.

The Extraordinary General Meeting will be convened to consider and, if thought fit, to approve the Revised Annual Caps. In accordance with the Listing Rules, Draka and its associates being connected persons of the Company, will abstain from voting on the ordinary resolution to approve the Revised Annual Caps at the Extraordinary General Meeting.

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Revised Annual Caps. In this respect, Fortune Financial Capital has been retained as the independent financial adviser to the Independent Board Committee and the Independent Shareholders.

A circular containing, among others, further information on the Revised Annual Caps, a letter from the Independent Board Committee to the Independent Shareholders containing its recommendation, a letter of advice from Fortune Financial Capital to the Independent Board Committee and the Independent Shareholders, together with a notice to convene the Extraordinary General Meeting to approve the Revised Annual Caps, is expected to be dispatched to the Shareholders as soon as practicable and within 15 business days after the publication of this announcement.

DEFINITIONS

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

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| “associate(s)” | has the meaning ascribed to it under the Listing Rules |
| “Board” | the board of directors of the Company |
| “Company” | Yangtze Optical Fibre and Cable Joint Stock Limited Company* (長飛光纖光纜股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the 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 described in the paragraphs headed “2. Sales Transactions with the Prysmian Group and YOFC Shanghai” and “4. Purchase Transactions with the Prysmian Group and YOFC Shanghai” in this announcement |
| “Directors” | the directors of the Company |

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| “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 |
| “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 |
| “Extraordinary General Meeting” | an extraordinary general meeting of the Company to consider and, if thought fit, approve the Revised Annual Caps |
| “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 |

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| “Independent Board Committee” | an independent committee of the Board comprising all independent non-executive Directors, namely Mr. Ngai Wai Fung, Mr. Ip Sik On Simon, Mr. Li Ping and Mr. Li Zhuo, established to advise the Independent Shareholders on the Revised Annual Caps |
| “Independent Financial Adviser” or “Fortune Financial Capital” | Fortune Financial Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance, and the independent financial adviser to the Independent Board Committee and Independent Shareholders in relation to the Revised 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 |
| “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, 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., 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 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 |

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| “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 |
| “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 |
| “Purchase Framework Agreements” | the Prysmian Purchase Framework Agreement and the YOFC Shanghai Purchase Framework Agreement |
| “Revised Annual Caps” | the proposed revised annual caps for the Continuing Connected Transactions for the years ending December 31, 2015 and 2016 |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Sales Framework Agreements” | the Prysmian Sales Framework Agreement and the YOFC Shanghai Sales Framework Agreement |
| “Shareholder(s)” | holders of Shares |
| “Share(s)” | Domestic Shares and/or H 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 |
| “Waiver” | the waiver granted by the Stock Exchange to the Company in respect of, among others, the non-exempt continuing connected transactions of 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, at the time of the listing of the H Shares in December 2014 |

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| “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 13, 2014 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 13, 2014 to regulate the sales transactions of the Group with YOFC Shanghai |

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, May 29, 2015

As at the date of this announcement, the Board comprises Wen Huiguo and Frank Franciscus Dorjee, as executive Directors; Ma Jie, Sun Jiming, Philippe Claude Vanhille, Yeung Kwok Ki Anthony, 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*