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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)**

**(1) PROPOSED EMPLOYEE STOCK OWNERSHIP SCHEME**  
**(2) PRIVATE PLACEMENT OF DOMESTIC SHARES AND H SHARES**  
**AND**  
**(3) POTENTIAL CONNECTED TRANSACTIONS**

**BACKGROUND**

To further enhance the Company's corporate governance structure, incentivize the Company's management and core personnel team and to establish a sound mid- to long-term incentive plan that provides for both incentives and restrictions, the Board has approved the Proposed Employee Stock Ownership Scheme which involves private placement of Domestic Shares and H Shares which together shall constitute no more than 10% of the existing issued share capital of the Company. It is intended that the Domestic Shares will be subscribed for and issued to limited partnerships to be established under the laws of the PRC, which limited partnerships shall be beneficially held by management and staff, including directors of the Company and its subsidiaries and the chief executive, and the H Shares will be subscribed for and issued to some of the Directors who are not PRC nationals and also certain institutional investors to be identified.

\* For identification purposes only

The Domestic Shares will be issued at a price of HK\$7.15 per Domestic Share, representing approximately 85% of the average closing price of the H Shares for the 90 trading days immediately before 10 June 2015, that is the date of this announcement. The issue price for the H Shares to be issued will be determined by the Company and the placing agent to be appointed after careful consideration of factors including shareholders' interests, global capital market conditions, valuation of comparable companies and prevailing price for the H Shares at the time the issue takes place. The issue price for the H Shares shall not be lower than 85% of the average closing price of the H Shares for the five trading days immediately before the placing agreement or similar agreement for the issue of the H Shares is entered into. The H Shares to be issued to the non-PRC national Directors and to the institutional investors shall be issued at the same price.

The subscription and issue of the Domestic Shares and the H Shares to the limited partnerships, the directors of the Company and its subsidiaries and the chief executive and/or the institutional investors are subject to a number of conditions, including the entering into of relevant subscription agreements and approvals from shareholders and relevant regulatory authorities.

#### **LISTING RULES IMPLICATIONS**

As some of the Domestic Shares and H Shares may be subscribed for and issued to certain Directors or limited partnerships partly beneficially held by certain directors of the Company and its subsidiaries and the chief executive, the private placements to them constitute connected transactions under Rule 14A.25 of the Listing Rules and are subject to the annual reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

An extraordinary general meeting, as well as an H Share class meeting and a Domestic Share class meeting will be convened to consider and, if thought fit, approve the private placements, the Proposed Employee Stock Ownership Scheme and the issue of H Shares and Domestic Shares to certain directors of the Company and its subsidiaries and the chief executive, which constitutes connected transactions.

An independent board committee will be established to advise the independent shareholders in respect of the issue of H Shares and Domestic Shares to certain directors of the Company and its subsidiaries and the chief executive, which constitutes connected transactions. An independent financial adviser will be appointed to advise the independent board committee and the independent shareholders.

A circular containing, among others, details of the Proposed Employee Stock Ownership Scheme, details of issue of Domestic Shares and H Shares to connected persons, a letter from the independent board committee to the independent shareholders containing its recommendation, a letter of advice from the independent financial adviser to the independent board committee and the independent shareholders, together with a notice to convene an extraordinary general meeting, an H Share class meeting and a Domestic Share class meeting to approve the private placements, the Proposed Employee Stock Ownership Scheme and the issue of H Shares and Domestic Shares to connected persons, which constitutes connected transactions, will be despatched as soon as practicable.

### **TIMING OF THE PRIVATE PLACEMENTS AND APPROVALS**

The private placements are subject to consideration and approval at the extraordinary general meeting, Domestic Share class meeting and H Share class meeting, and in so far as the issue of H Shares and Domestic Shares to certain directors of the Company and its subsidiaries and the chief executive is concerned, by the independent shareholders. The private placement of H Shares is also subject to the approval of the CSRC. It is anticipated that a placing agent will be engaged and the placing of H Shares will be conducted within one month of the receipt of the CSRC approval although any blackout period for directors' dealings in securities of the Company will not count towards the one month period. The private placement of the Domestic Shares is conditional on the implementation of the H Shares private placement and both the private placement of the Domestic Shares and the private placement of the H Shares will complete at the same time.

**Shareholders and potential investors should note that the Proposed Employee Stock Ownership Scheme and the matters including the private placements of the Domestic Shares and the H Shares to be carried out for the purpose of implementing the Proposed Employee Stock Ownership Scheme are subject to approval of Shareholders and certain regulatory approvals and may or may not proceed. Accordingly, Shareholders and potential investors are advised to exercise caution when dealing in the H Shares.**

## **PROPOSED EMPLOYEE STOCK OWNERSHIP SCHEME AND PRIVATE PLACEMENTS OF DOMESTIC SHARES AND H SHARES**

To further enhance the Company's corporate governance structure, incentivize the Company's management and core personnel team and to establish a sound mid- to long-term incentive plan that provides for both incentives and restrictions, the Board has approved the Proposed Employee Stock Ownership Scheme which involves private placement of Domestic Shares and H Shares which together shall constitute no more than 10% of the existing issued share capital of the Company. It is intended that the Domestic Shares will be subscribed for and issued to limited partnerships to be established under the laws of the PRC, which limited partnerships shall be beneficially held by management and staff, including directors of the Company and its subsidiaries and the chief executive, and the H Shares will be subscribed for and issued to some of the Directors who are not PRC nationals and also certain institutional investors to be identified.

The subscription and issue of the Domestic Shares and the H Shares to the limited partnerships, the directors of the Company and its subsidiaries and the chief executive and/or the institutional investors are subject to a number of conditions, including the entering into of relevant subscription agreements and approvals from shareholders and relevant regulatory authorities.

### **ISSUE PRICE FOR THE PRIVATE PLACEMENTS**

Taking into account the fact that the Domestic Shares are not publicly traded and therefore have little liquidity, it is decided that the Domestic Shares will be issued at a price of HK\$7.15 per Domestic Share, representing approximately 85% of the average closing price of the H Shares for the 90 trading days immediately before 10 June 2015, that is the date of this announcement.

The issue price for the H Shares to be issued will be determined by the Company and the placing agent to be appointed after careful consideration of factors including shareholders' interests, global capital market conditions, valuation of comparable companies and prevailing price for the H Shares at the time the issue takes place. The issue price for the H Shares shall not be lower than 85% of the average closing price of the H Shares for the five trading days immediately before the placing agreement or similar agreement for the issue of the H Shares is entered into. The H Shares to be issued to the non-PRC national Directors and to the institutional investors shall be issued at the same price. An application will be made to the Stock Exchange for the listing and trading of the H Shares to be issued under the private placement.

Funds of the directors and employees participating in the Proposed Employee Stock Ownership Scheme shall be derived from the legitimate salary of the directors and employees as well as funds raised through other legal means.

## **USE OF PROCEEDS**

The amount of gross proceeds from the private placement of the Domestic Shares and H Shares cannot be determined at this stage until the size of the issue of the Domestic Shares and the H Shares and the price for the issue of H Shares is fixed. The net proceeds from the private placement of the Domestic Shares and H Shares are intended to be utilized by the Company to support the development of the business of the Group and as general working capital.

## **LOCK-UP PERIOD**

The lock-up period for the Domestic Shares to be issued to the limited partnerships and for the H Shares to be issued to the non-PRC national Directors is 24 months, starting from the time the names of the limited partnerships and the non-PRC national Directors are registered in the register of members of the Company. Any Domestic Shares and/or H Shares derived from the foregoing Domestic Shares and/or H Shares as a result of stock dividend distribution and capitalization of reserves shall also be subject to the above lock-up arrangement. It is currently anticipated that the H Shares to be issued to the institutional investors will not be subject to any lock-up.

## **TIMING OF THE PRIVATE PLACEMENTS AND APPROVALS**

The private placements are subject to consideration and approval at the extraordinary general meeting, Domestic Share class meeting and H Share class meeting, and in so far as the issue of H Shares and Domestic Shares to certain directors of the Company and its subsidiaries and the chief executive is concerned, by the independent shareholders. The private placement of H Shares is also subject to the approval of the CSRC. It is anticipated that a placing agent will be engaged and the placing of H Shares will be conducted within one month of the receipt of the CSRC approval although any blackout period for directors' dealings in securities of the Company will not count towards the one month period. The private placement of the Domestic Shares is conditional on the implementation of the H Shares private placement and both the private placement of the Domestic Shares and the private placement of the H Shares will complete at the same time.

## **REASONS FOR AND BENEFITS OF THE PRIVATE PLACEMENTS**

The purpose of the private placements of the Domestic Shares and the H Shares is to implement the Proposed Employee Stock Ownership Scheme. The Board considers that the adoption of the Proposed Employee Stock Ownership Scheme can further enhance the Company's corporate governance structure, incentivize the Company's management and core personnel team and it is a sound mid- to long-term incentive plan that provides for both incentives and restrictions.

The Directors (including the independent non-executive Directors) consider that the Proposed Employee Stock Ownership Scheme is in the interest of the Company and the Shareholders as a whole. As the executive Directors may participate in the private placements, they have therefore abstained from voting in the board resolutions approving the potential private placements of the Domestic Shares and the H Shares to the Directors. The independent non-executive Directors will form their views after receiving advice from the independent financial adviser.

## **LISTING RULES IMPLICATIONS**

As some of the Domestic Shares and H Shares will be subscribed for and issued to certain Directors or limited partnerships partly beneficially held by certain directors of the Company and its subsidiaries and the chief executive, the private placements to them constitute connected transactions under Rule 14A.25 of the Listing Rules and are subject to the annual reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

An extraordinary general meeting, as well as an H Share class meeting and a Domestic Share class meeting will be convened to consider and, if thought fit, to approve the private placements, the Proposed Employee Stock Ownership Scheme and the issue of H Shares and Domestic Shares to certain directors of the Company and its subsidiaries and the chief executive, which constitutes connected transactions.

An independent board committee will be established to advise the independent shareholders in respect of the issue of H Shares and Domestic Shares to certain directors of the Company and its subsidiaries and the chief executive, which constitutes connected transactions. An independent financial adviser will be appointed to advise the independent board committee and the independent shareholders.

A circular containing, among others, details of the Proposed Employee Stock Ownership Scheme, details of issue of Domestic Shares and H Shares to connected persons, a letter from the independent board committee to the independent shareholders containing its recommendation, a letter of advice from the independent financial adviser to the independent board committee and the independent shareholders, together with a notice to convene an extraordinary general meeting, an H Share class meeting and a Domestic Share class meeting to approve the private placements, the Proposed Employee Stock Ownership Scheme and the issue of H Shares and Domestic Shares to connected persons, which constitutes connected transactions, will be despatched as soon as practicable.

## DEFINITIONS

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

“Articles of Association”	the articles of association of the Company, as amended from time to time
“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, whose H shares are listed and traded on The Stock Exchange of Hong Kong Limited
“CSRC”	Chinese Securities Regulatory Commission
“Directors”	the director(s) of the Company
“Domestic Shares”	domestic shares of par value RMB1.00 each in the capital of the Company
“Group”	the Company and its subsidiaries
“H Shares”	overseas listed foreign shares of par value of RMB1.00 each in the capital of the Company and listed on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“Proposed Employee Stock Ownership Scheme”	Proposed 2015 Core Employees Stock Ownership Scheme of Yangtze Optical Fibre and Cable Joint Stock Limited Company* (長飛光纖光纜股份有限公司) to be adopted by the Company and a summary of which will be included in the shareholders’ circular to be despatched

“Shares”	Domestic Shares and H Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“RMB”	Renminbi, the lawful currency of the PRC
“trading days”	the day on which the Stock Exchange opens for trading of or dealing in the H Shares
“%”	per cent.

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, 10 June 2015

*As at the date of this announcement, the Board comprises Wen Huiguo and Frank Franciscus Dorjee, as executive Directors; Ma Jie, Yao Jingming, 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.*