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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) CONNECTED TRANSACTION
ACQUISITION OF 60% EQUITY INTEREST IN NK WUHAN
(2) FULLY EXEMPT PROPOSED CONTINUING
CONNECTED TRANSACTIONS
SALE OF RADIO FREQUENCY COPPER COAXIAL CABLES AND
CONTINUED USE OF TRADEMARKS

THE ACQUISITION

The Board is pleased to announce that on 18 June 2015, the Company and NK China entered into the Equity Transfer Agreement, pursuant to which the Company agreed to purchase, and NK China agreed to sell, 60% equity interest in NK Wuhan at a cash consideration of RMB18 million (equivalent to approximately HK\$22.5 million). On the same date, the Company and NK China also entered into the Framework Agreement pursuant to which, among other things, the Company agreed to provide to NK China a bank guarantee with an amount equivalent to the Consideration to secure the payment of the Consideration. The bank guarantee was provided on the same date prior to the execution of the Equity Transfer Agreement.

As at the date of this announcement, NK Wuhan was held as to 60% by NK China, 20% by the Company and 20% by YCIG. Upon completion of the Acquisition, the Company will hold 80% equity interest in NK Wuhan and NK Wuhan will become a non-wholly owned subsidiary of the Company.

* *For identification purposes only*

SALE OF RADIO FREQUENCY COPPER COAXIAL CABLES AND CONTINUED USE OF TRADEMARKS

Prior to the signing of the Equity Transfer Agreement, NK Wuhan has been selling radio frequency copper coaxial cables to Draka Singapore and such sales will continue in the ordinary and usual course of business of NK Wuhan.

In addition, on 18 June 2015, NK Wuhan and Prysmian Finland entered into the Trademark License Termination Agreement to terminate the licenses granted by Prysmian Finland to NK Wuhan for the use by NK Wuhan of certain trademarks for a term expiring on 12 October 2019. Pursuant to the Trademark License Termination Agreement, Prysmian Finland has agreed to allow NK Wuhan to continue to use such trademarks at nil consideration until 31 December 2016 solely to fulfill certain existing orders of NK Wuhan.

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 as defined under the Listing Rules. 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%.

NK China is an indirect wholly-owned 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. Accordingly, the Acquisition constitutes a connected transaction and the provision of the bank guarantee under the Framework Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. As all the relevant percentage ratios under the Listing Rules in respect of the Acquisition (after taking into account the indemnification provided by the Company to NK China of a maximum amount of RMB10 million when calculating the consideration ratio) and the provision of the bank guarantee as contemplated under the Framework Agreement are more than 0.1% but less than 5%, the Acquisition and the provision of the bank guarantee as contemplated under the Framework Agreement are subject to the reporting and announcement requirements but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

Draka Singapore is 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. Accordingly, the sales of radio frequency copper coaxial cables to Draka Singapore by NK Wuhan will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules upon completion of the Acquisition. Since each of the relevant percentage ratios under the Listing Rules in respect of the sales transactions with Draka Singapore is expected to be, on an annual basis, less than 0.1%, the sales transactions constitute de minimis transactions which will be exempt pursuant to Rule 14A.76(1) of the Listing Rules from the annual reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Prysmian Finland is 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. Accordingly, the continued use of the trademarks of Prysmian Finland as allowed under the Trademark License Termination Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules upon completion of the Acquisition. No consideration will be payable by NK Wuhan for the use of the trademarks. Therefore, each of the relevant percentage ratios under the Listing Rules in respect of the transaction contemplated under the Trademark License Termination Agreement is expected to be less than 0.1%. The transactions under the Trademark License Termination Agreement will constitute de minimis transactions which will be exempt pursuant to Rule 14A.76(1) of the Listing Rules from the annual reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE ACQUISITION

(I) The Equity Transfer Agreement

Date: 18 June 2015

Parties: (i) NK China as the transferor; and
(ii) the Company as the transferee

Assets to be acquired

Pursuant to the Equity Transfer Agreement, the Company agreed to purchase, and NK China agreed to sell, 60% equity interest in NK Wuhan.

As at the date of this announcement, NK Wuhan was held as to 60% by NK China, 20% by the Company and 20% by YCIG. Upon completion of the Acquisition, the Company will hold 80% equity interest in NK Wuhan and NK Wuhan will become a non-wholly owned subsidiary of the Company.

Consideration

The Consideration is RMB18 million, which shall be paid in cash by the Company to NK China at the date of the completion of the Acquisition.

The Consideration has been determined after arm's length negotiation between the Company and NK China with reference to NK Wuhan's business prospect and its latest financial position. The Consideration will be funded by the Group's internal resources.

Indemnification

Upon completion of the Equity Transfer Agreement, the Company shall not be able to make any claims against NK China of its liabilities arising out of its equity holding in NK Wuhan, or against the former and current directors of NK Wuhan appointed by NK China ("**NK Directors**") for their services rendered and responsibilities owed to NK Wuhan during their directorship. The Company also agreed to undertake to fully indemnify NK China or NK Directors for any liabilities or obligations arising from any third party claim against NK China in its capacity as an equity holder of NK Wuhan and/or against NK Directors by reason of them being a director of NK Wuhan, up to a maximum aggregate amount of RMB10 million and provided that a notice of claim is served with the Company in writing within 36 months from the date of issuance of the new business license of NK Wuhan.

Completion

Completion shall take place upon the occurrence of all the following: (i) the issuance of the relevant certificate of approval by the Wuhan Bureau of Commerce; (ii) the issuance of new business license by the Wuhan Administration for Industry and Commerce; and (iii) the transfer of the Consideration to the bank account of NK China in the Netherlands.

(II) The Framework Agreement

Date: 18 June 2015

Parties: (i) NK China; and

(ii) the Company

Bank Guarantee

The Company agreed to provide to NK China a bank guarantee with an amount equivalent to the Consideration to secure the payment of the Consideration. The bank guarantee was provided on the same date prior to the execution of the Equity Transfer Agreement. Such bank guarantee will be terminated upon completion of the Acquisition.

Earn Out

In the event if a procedure for the liquidation of NK Wuhan (or an implementation of a series of actions aimed at obtaining the same result of a liquidation) commences within 36 months from the date of the issuance of NK Wuhan's new business license upon the completion of the Acquisition (the "**Liquidation Period**") and the value of NK Wuhan resulting from the liquidation procedure exceeds RMB30 million (the "**Liquidation Amount**"), the Company shall pay to NK China an amount equal to the difference between 60% of the Liquidation Amount and the Consideration as soon as practicable but not later than 30 days from the de-registration of NK Wuhan's business license upon the completion of the liquidation procedure. The Directors have confirmed that the Company has no intention to, and will not liquidate NK Wuhan during the Liquidation Period. In the case of compulsory liquidation, NK Wuhan would be in severe financial distress before a liquidation procedure can be initiated by any creditor. The Liquidation Amount in such case of compulsory liquidation is expected to be less than RMB30 million.

FULLY EXEMPT PROPOSED CONTINUING CONNECTED TRANSACTIONS

(I) Sale of radio frequency copper coaxial cables to Draka Singapore

Prior to the signing of the Equity Transfer Agreement, NK Wuhan has been selling radio frequency copper coaxial cables to Draka Singapore and such sales will continue in the ordinary and usual course of business of NK Wuhan. The Company expects that NK Wuhan will continue to sell radio frequency copper coaxial cables to Draka Singapore upon completion of the Acquisition. The aggregate amount received by NK Wuhan from the sales transactions with Draka Singapore were approximately RMB2.60 million (equivalent to approximately HK\$3.25 million) and RMB3.12 million (equivalent to approximately HK\$3.90 million) for the two years ended 31 December 2013 and 2014, respectively. Based on the historical transaction amounts between NK Wuhan and Draka Singapore and the estimated amount of orders to be received from Draka Singapore, each of the relevant percentage ratios under the Listing Rules in respect of the sales transactions with Draka Singapore is expected to be, on an annual basis, less than 0.1%.

(II) Continued use of the trademarks

On 18 June 2015, NK Wuhan and Prysmian Finland entered into the Trademark License Termination Agreement to terminate the licenses granted by Prysmian Finland to NK Wuhan for the use by NK Wuhan of certain trademarks for a term expiring on 12 October 2019. Pursuant to the Trademark License Termination Agreement, Prysmian Finland has agreed to allow NK Wuhan to continue to use such trademarks at nil consideration until 31 December 2016 solely to fulfill certain existing orders of NK Wuhan.

INFORMATION ON NK WUHAN

NK Wuhan was established on 1 December 1999 in the PRC with a registered capital of USD12 million and is principally engaged in the production and sales of radio frequency copper coaxial cables and related products.

Set out below is the audited financial information of NK Wuhan for the two financial years ended 31 December 2013 and 2014 extracted from its financial statements prepared in accordance with the PRC GAAP:

	For the years ended	
	31 December	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	46,437	104,219
Loss for the year	(7,306)	(7,277)
	As at 31 December	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	106,131	138,813
Total liabilities	10,125	35,344
Net assets	96,006	103,469

Since NK Wuhan was established by NK China, the Company and YCIG, the original acquisition cost of 60% equity interest in NK Wuhan to NK China was USD7.2 million, being the amount of registered capital of NK Wuhan contributed by NK China.

INFORMATION ON THE COMPANY, NK CHINA, DRAKA SINGAPORE AND PRYSMIAN FINLAND

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.

NK China, Draka Singapore and Prysmian Finland are all indirect subsidiaries of Prysmian S.p.A.. 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.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Acquisition is part of the Group's continued growth strategy. Through the Acquisition, the Company will obtain dominant control over the board of directors of NK Wuhan and this can enhance the efficiency of decision-making process and its business operation. Furthermore, the Acquisition can also enhance the Group's competitiveness in the cable industry in China and enable the Group to have a more diversified products mix.

The Directors (including the independent non-executive Directors) consider that the terms of the Equity Transfer Agreement and the Framework Agreement are fair and reasonable and on normal commercial terms and that the entering into of the Equity Transfer Agreement and the Framework Agreement is in the interest of the Company and the shareholders of the Company as a whole. The Directors (including the independent non-executive Directors) also consider that the sale of radio frequency copper coaxial cables to Draka Singapore by NK Wuhan and the use of certain trademarks by NK Wuhan as permitted by Prysmian Finland at nil consideration are transactions conducted on normal commercial terms or better.

Further, none of the Directors has material interest in the Equity Transfer Agreement and the Framework Agreement or is required to abstain from voting on the Board resolution in relation to the Equity Transfer Agreement and the Framework Agreement except for Mr. Philippe Claude Vanhille and Mr. Xiong Xiangfeng. Mr. Philippe Claude Vanhille and Mr. Xiong Xiangfeng are both directors of NK Wuhan. Mr. Vanhille 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. is the indirect holding company of NK China.

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DEFINITIONS

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

“Acquisition”	the proposed acquisition of 60% equity interest in NK Wuhan pursuant to the Equity Transfer Agreement
“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
“Consideration”	RMB18 million (equivalent to approximately HK\$22.5 million), being the purchase price for the 60% equity interests in NK Wuhan
“Directors”	the director(s) of the Company
“Draka”	Draka Comteq B.V., a company incorporated in Netherlands on 14 May 2004, a substantial shareholder of the Company and a connected person of the Company

“Draka Singapore”	Singapore Cable Manufacturers Pte Ltd.
“Equity Transfer Agreement”	the equity transfer agreement dated 18 June 2015 entered into between NK China as transferor and the Company as transferee in relation to the Acquisition
“Framework Agreement”	the framework agreement dated 18 June 2015 entered into between NK China and the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“NK China”	NK China Investments B.V.
“NK Wuhan”	NK Wuhan Cable Co., Ltd (武漢安凱電纜有限公司)
“PRC”	the People’s Republic of China
“PRC GAAP”	the generally accepted accounting principles in the PRC
“Prysmian Finland”	Prysmian Finland OY
“RMB”	Renminbi, the lawful currency of the PRC
“Trademark License Termination Agreement”	the termination agreement of trademark license contract and of complementation agreement of trademark license contract dated 18 June 2015 entered into between Prysmian Finland and NK Wuhan

“YCIG”

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 on 2 January 1996, whose shares are listed on the Shanghai Stock Exchange (Stock Code: 600345), a substantial shareholder of the Company and a connected person of the Company

“%”

per cent.

In this announcement, the conversion of RMB into HK\$ has been made at an exchange rate of RMB1:HK\$1.25. Such conversion should not be construed as a representation that any amount has been, could have been or may be, exchanged at such a rate or at any other rates.

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, 18 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.

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