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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Yangtze Optical Fibre and Cable Joint Stock Limited Company, you should at once hand this circular together with the accompanying proxy form to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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Yangtze Optical Fibre and Cable Joint Stock Limited Company*

長飛光纖光纜股份有限公司

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

(Stock Code: 6869)

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

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



Fortune Financial Capital Limited

A letter from the Board is set out on pages 6 to 28 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 29 of this circular. A letter from the Independent Financial Adviser, Fortune Financial Capital, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 30 to 46 of this circular.

A notice convening the EGM to be held at Multi-Media Meeting Room, 201# Building, No. 9 Guanggu Avenue, East Lake High-tech Development Zone, Wuhan, Hubei Province, PRC on Wednesday, August 5, 2015 at 10:00 a.m. is set out on pages 53 to 54 of this circular.

If you intend to appoint a proxy to attend the EGM, you are required to complete and return the accompanying proxy form in accordance with the instructions printed thereon. The proxy form should be returned to the Company's H share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for holder of H Shares, and to the Company's Board of Directors' Office, at No. 9 Guanggu Avenue, East Lake High-tech Development Zone, Wuhan, Hubei Province, PRC (Postal code: 430073), for holder of Domestic Shares by hand or by post not less than 24 hours before the time appointed for holding the EGM or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or at any adjourned meeting should you so wish, but in such event the instrument appointing a proxy shall be deemed to be revoked.

If you intend to attend the EGM in person or by proxy, you are required to complete and return the reply slip to the Company's H share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, or to the Company's Board of Directors' Office, at No. 9 Guanggu Avenue, East Lake High-tech Development Zone, Wuhan, Hubei Province, PRC (Postal code: 430073), on or before Thursday, July 16, 2015.

* For identification purposes only

June 19, 2015

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DEFINITIONS

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

| | |
|-------------------------------------|--|
| “associate(s)” | has the meaning ascribed to it under the Listing Rules |
| “Board” | the board of directors of the Company |
| “China Huaxin” | China Huaxin Post and Telecommunication Economy Development Center (中國華信郵電經濟開發中心), an entity incorporated in the PRC. It is a substantial shareholder and a connected person of the Company |
| “Company” | Yangtze Optical Fibre and Cable Joint Stock Limited Company* (長飛光纖光纜股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “Continuing Connected Transactions” | the continuing connected transactions described in the paragraphs headed “2. Revised Annual Caps for the Continuing Connected Transactions with the Prysmian Group and YOFC Shanghai in respect of 2015 and 2016 — B. Sales Transactions with the Prysmian Group and YOFC Shanghai” and “2. Revised Annual Caps for the Continuing Connected Transactions with the Prysmian Group and YOFC Shanghai in respect of 2015 and 2016 — D. Purchase Transactions with the Prysmian Group and YOFC Shanghai” in this circular |
| “Directors” | the directors of the Company |
| “Domestic Shares” | ordinary shares of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi |
| “Draka” | Draka Comteq B.V., a company incorporated in the Netherlands on May 14, 2004 and wholly-owned by Draka Holding B.V.. It is a substantial shareholder and a connected person of the Company |

DEFINITIONS

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| “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 |
| “EGM” | an extraordinary general meeting of the Company to be held at Multi-Media Meeting Room, 201# Building, No. 9 Guanggu Avenue, East Lake High-tech Development Zone, Wuhan, Hubei Province, PRC on Wednesday, August 5, 2015 at 10:00 a.m., or any adjournment thereof, 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 |
| “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 |

DEFINITIONS

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| “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 SFO, 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 |
| “Latest Practicable Date” | June 15, 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “PRC” | the People’s Republic of China, and for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “Prospectus” | the Company’s prospectus dated November 26, 2014 |
| “Prysmian Brazil” | Prysmian Draka Brasil S.A., an indirect subsidiary of Prysmian S.p.A., thus a fellow subsidiary of Draka, and is therefore an associate of Draka and a connected person of the Company |
| “Prysmian Group” | Prysmian S.p.A. and its associates (for the avoidance of doubt, excluding YOFC Shanghai) |
| “Prysmian Purchase Framework Agreement” | the purchase framework agreement entered into between Prysmian S.p.A. and the Company on November 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 |
| “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 |

DEFINITIONS

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| “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 |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Share(s)” | Domestic Shares and/or H Shares |
| “Shareholder(s)” | holders of Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “subsidiaries” | has the meaning ascribed thereto in the Listing Rules |
| “substantial shareholder” | has the meaning ascribed to it under the Listing Rules |
| “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 |
| “Yangtze Communications” | Wuhan Yangtze Communications Industry Group Co., Ltd (武漢長江通信產業集團股份有限公司), a company incorporated in the PRC. It is a substantial shareholder and a connected person of the Company |

DEFINITIONS

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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 |

* For identification purposes only



Yangtze Optical Fibre and Cable Joint Stock Limited Company*

長飛光纖光纜股份有限公司

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

(Stock Code: 6869)

Executive Directors:

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

Non-executive Directors:

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

Independent Non-executive Directors:

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

Registered Office:

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

Principal Place of Business in Hong Kong:

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

June 19, 2015

To the Shareholders

Dear Sir or Madam,

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

1. INTRODUCTION

References are made to the Prospectus and the announcement of the Company dated May 29, 2015, 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. The Board proposed that the existing annual caps for the sales transactions and the

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LETTER FROM THE BOARD

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.

The purpose of this circular is to provide you with, among other things, (i) the information of the Revised Annual Caps; (ii) a letter from Fortune Financial Capital (containing its advice to the Independent Board Committee and the Independent Shareholders on the Revised Annual Caps); (iii) recommendation of the Independent Board Committee to the Independent Shareholders; and (iv) a notice convening an EGM for considering and, if thought fit, approving the Revised Annual Caps.

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

A. Background

References are made to the Prospectus and the announcement of the Company dated May 29, 2015, 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.

LETTER FROM THE BOARD

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 "C. 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 – (a) Historical amounts, existing annual caps and proposed revised annual caps" and "E. 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 – (a) Historical amounts, existing annual caps and proposed revised annual caps" for the year ended December 31, 2014. In addition, as at the Latest Practicable Date, 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.

LETTER FROM THE BOARD

B. 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 | <p>The Prysmian Sales Framework Agreement was entered into between the Company and Prysmian S.p.A..</p> <p>The YOFC Shanghai Sales Framework Agreement was entered into between the Company and YOFC Shanghai.</p> |
| Duration | <p>Each of the Sales Framework Agreements 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.</p> <p>The parties to the agreement may negotiate to extend the agreement for a further term of three years within two months before the expiry of the three-year term of the agreement unless the agreement is terminated earlier due to Draka ceasing to be a connected person of the Company.</p> |
| Nature of Transactions | <p>Sale of optical fibres and optical fibre cables in respect of the Prysmian Sales Framework Agreement.</p> <p>Sale of optical fibres and optical fibre cables, raw materials, equipment and components in respect of the YOFC Shanghai Sales Framework Agreement.</p> |

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

The Local Tender Price and the PRC Tender Price will be fixed when the overseas telecommunications operators in Singapore and Brazil or the three state-owned telecommunications operators in the PRC, as the case may be, have completed their bidding process and announced the bidding results. The bidding results including the tender price will be made available to all the bidders participating in the bidding process including the Company. If the Company does not participate in the overseas bidding process, the Company can only gain access to the Local Tender Price through the Prysmian Group when the overseas telecommunications operators do not announce its tender price publicly. The bidding process will only be carried out by the overseas telecommunications operators when they have the business needs and therefore the Local Tender Price will not be announced on a frequent basis. Each of the three state-owned telecommunications operators in the PRC will carry out their respective central bidding processes once in a year to determine the volume of optical fibres and optical fibre cables to be purchased from each domestic manufacturer in the PRC. The PRC Tender Price will be announced to industry participants annually after completion of the central bidding process conducted by the three state-owned telecommunications operators in the PRC.

A predetermined price range will be set by the chief sales officer of the Company in the first quarter every year by reference to the Local Tender Price and the PRC Tender Price. The price range will also be updated from time to time to incorporate the latest Export Price.

For export sales, the actual contract price will be determined with reference to the higher of the Local Tender Price or the Export Price if both the Local Tender Price and the Export Price are available for the specific type of optical fibres or optical fibre cables being sold. Before accepting an export purchase order, the salesman responsible for such order shall make sure that the actual contract price falls within the predetermined price range set by the chief sales officer. Where the price of any order is below the minimum value of the predetermined price range, it shall be approved by the chief sales officer and the general manager of the Company before such order is accepted.

For domestic sales, since the Local Tender Price and the Export Price are not relevant, the price will be determined with reference to the PRC Tender Price. The PRC Tender Price announced by the three state-owned telecommunications operators is usually considered as a benchmark for the prices of optical fibres and optical fibre cables to be sold by domestic manufacturers. Before accepting a domestic purchase order, the salesman responsible for such order shall make sure that the actual contract price is at least equal to or higher than the PRC Tender Price.

LETTER FROM THE BOARD

C. 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

(a) 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 Latest Practicable Date, 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 stated 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 December 31, | | | Four months ended April 30, |
|--|--------------------|--|------------------------------------|----------------|----------------|--------------------------------------|
| | | | 2012 | 2013 | 2014 | 2015 |
| | | | (RMB'000) | | | |
| 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 |
| 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 |

LETTER FROM THE BOARD

Both the Company and the Prysmian Group manufacture and sell, optical fibres and optical fibre cables with various standard specifications. They also design and produce optical fibres and cables with wide varieties of specifications that are customized to customers' needs. In addition to the customized optical fibres and cables produced to meet customers' required specifications, each of the Company and the Prysmian Group has been manufacturing optical fibres and optical fibre cables with different specifications in line with their own production plans and business strategies. As such, the Prysmian Group, depending on the needs of its customers, its production plan and business strategy, would purchase from the Group the optical fibres and optical fibre cables for which it either does not manufacture itself or it does not have the required production capability for on-sale to its customers or for its own production needs. This would facilitate both parties in focusing their production capacity and resources on their more profitable work streams and in leveraging economies of scale in the production processes. Both parties would also benefit from the broadening of its portfolio of products through purchases of optical fibres and cables which would otherwise be produced by the counterparty in a more cost-efficient manner, and thereby would be able to continue to meet their respective customers' demand and maintain or even expand their customer base in their respective sales regions.

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

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.

LETTER FROM THE BOARD

| | | | Year ended December 31, | | | |
|--|--------------------|--|--|-------------------------------------|--|-------------------------------------|
| | | | 2015 | | 2016 | |
| | | | Proposed revised annual cap/ annual cap to Original annual cap | | Proposed revised annual cap/ annual cap to Original annual cap | |
| Seller | Purchaser | Goods | remain as originally approved | remain as originally approved | remain as originally approved | remain as originally approved |
| | | | (RMB'000) | | | |
| 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 |
| | 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 |

LETTER FROM THE BOARD

(b) 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. Draka Singapore has received increasing number of purchase orders from the three major telecommunication operators in Singapore in 2015 since the Singapore government launched its "Smart Nation" program in November 2014. Prysmian Wuxi, one of the major optical fibre cables suppliers of Draka Singapore, is not able to fulfill the increasing demand for optical fibre cables of Draka Singapore due to its limited production capacity. Consequently, Draka Singapore has placed more orders with the Company than previously expected; 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. The Company has received an indicative demand from Prysmian Wuxi in May this year indicating that the amount of optical fibres that Prysmian Wuxi may source from the Group will reach RMB100 million for 2015 though the amount of the actual purchase orders received so far has yet to reflect the expected demand from Prysmian Wuxi considering the regulatory requirement that the Company has to comply with the original annual cap. Due to the increasing demand for optical fibre cables by Draka Singapore on Prysmian Wuxi as stated above, the demand for optical fibres on our Group from Prysmian Wuxi has also increased.

LETTER FROM THE BOARD

At the time of the listing of the H Shares on the Stock Exchange in December 2014, the Company was not able to foresee that since 2015, Draka Singapore would be able to win increasing number of orders from the three major telecommunication operators in Singapore in 2015 or that Prysmian Wuxi would change its sourcing plan by purchasing more optical fibres from the Company than from the Prysmian Group as a result of the cost competitive advantage of the Company on the production of single-modes optical fibres. As such, the Company has received and reasonably expects to receive more orders from Draka Singapore and Prysmian Wuxi than the Company had expected at the time of the listing of the H Shares on the Stock Exchange in late 2014.

Having taken into account of the increasing number of purchase orders and the indicative demand from Prysmian Wuxi amounting to RMB100 million, the Board considers that the existing annual caps in respect of 2015 and 2016 for the sales transactions with the Prysmian Group shall be revised.

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.

LETTER FROM THE BOARD

D. 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 | <p>The Prysmian Purchase Framework Agreement was entered into between the Company and Prysmian S.p.A..</p> <p>The YOFC Shanghai Purchase Framework Agreement was entered into between the Company and YOFC Shanghai.</p> |
| Duration | <p>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.</p> <p>The parties to the agreement may negotiate to extend the agreement for a further term of three years within two months before the expiry of the three-year term of the agreement unless the agreement is terminated earlier due to Draka ceasing to be a connected person of the Company.</p> |
| Nature of Transactions | <p>Purchases of equipment parts for optical fibre production, optical fibre preforms, optical fibres and optical fibre cables in respect of the Prysmian Purchase Framework Agreement.</p> <p>Purchases of optical fibres, optical fibre cables and spare parts in respect of the YOFC Shanghai Purchase Framework Agreement.</p> |

LETTER FROM THE BOARD

To implement the purchase transactions contemplated under the Purchase Framework Agreements, the Group will place specific purchase orders with the Prysmian Group or YOFC Shanghai each time the Group purchases optical fibre preforms, optical fibres, optical fibre cables and equipment parts from the Prysmian Group and optical fibres, optical fibre cables and spare parts from YOFC Shanghai. A purchase order typically contains terms on product specifications, quantity, payment date and method, delivery arrangements, liabilities and warranties. The marketing team of the Company will keep abreast of the pricing information made available to the public by the General Administration of Customs of the PRC from time to time. Such pricing information is usually updated on a monthly basis.

Pricing Basis

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

- (i) the latest average import (into China) price made available to the public by the General Administration of Customs of the PRC (中華人民共和國海關總署) at the time of the relevant transaction (the “**Import Price**”); or
- (ii) the prevailing tender price announced by the state-owned telecommunications operators in the PRC (the “**Purchase PRC Tender Price**”);

where none of the above is available or applicable, the price shall be determined on a fair and reasonable basis which is equivalent or comparable to those offered to or quoted by third parties independent of the Company for similar products. The Group shall solicit at least two other contemporaneous transactions with unrelated third parties for products in similar quantities and quality to determine if the price and terms offered by the Prysmian Group or YOFC Shanghai are fair and reasonable and comparable to those offered by unrelated third parties.

LETTER FROM THE BOARD

The Purchase PRC Tender Price will be fixed when the three state-owned telecommunications operators in the PRC have completed their central bidding process and announced the bidding results. As the central bidding process will be carried out once a year, the Purchase PRC Tender Price will be announced to industry participants annually.

For import purchases, the price will be determined with reference to the Import Price. A predetermined price range will be set by the head of supply chain department of the Company at the beginning of each financial year with reference to the latest available Import Price and such range will be updated from time to time based on the latest information available from the General Administration of Customs of the PRC. Before placing a purchase order, the procurement staff responsible for such order shall make sure that the actual contract price shall fall within such predetermined price range. Where the price of any order is above the maximum value of the predetermined price range, it shall be approved by the head of supply chain department and the general manager of the Company before such order is placed.

For domestic purchases, the price will be determined with reference to the Purchase PRC Tender Price. The Purchase PRC Tender Price announced by the three state-owned telecommunications operators is usually considered as a benchmark for the prices of optical fibres and optical fibre cables to be purchased from other domestic manufacturers. Before placing a domestic purchase order, the procurement staff responsible for such order shall make sure that actual contract price would not be higher than the Purchase PRC Tender Price.

E. 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

(a) 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 Latest Practicable Date, 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.

LETTER FROM THE BOARD

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 | | | Four |
|---|---------------|---|--------------------|----------------|----------------|---------------|
| | | | December 31, | | | months |
| | | | 2012 | 2013 | 2014 | ended |
| | | | April 30, | | | |
| | | | (RMB'000) | | | 2015 |
| 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 |

LETTER FROM THE BOARD

The Group purchases equipment parts from Draka Fibre from time to time for its optical fibre production equipment previously purchased from Draka. The Company also purchases spare parts from YOFC Shanghai, a subsidiary of the Company, to meet any temporary operational needs.

Both the Company and the Prysmian Group manufacture and sell optical fibres and optical fibre cables with various standard specifications. Both of them are capable of producing different types of optical fibre preforms to cater to the production of different types of standard optical fibres and numerous specialty optical fibres. They also design and produce optical fibres and cables with wide varieties of specifications that are customized to customers' needs. In addition to the customized optical fibre preforms, optical fibres and cables produced to meet customers' required specifications, each of the Company and the Prysmian Group has been manufacturing optical fibre preforms, optical fibres and optical fibre cables with different specifications in line with their own production plans and business strategies. As such, the Group, depending on the needs of its customers, its production plan and business strategy, would purchase from the Prysmian Group the optical fibre preforms, optical fibres and optical fibre cables for which it either does not manufacture itself or it does not have the required production capability for on-sale to its customers or for its own production needs. This would facilitate both parties in focusing their production capacity and resources on their more profitable work streams and in leveraging economies of scale in the production processes. The Group would also benefit from the broadening of its portfolio of products through purchases of optical fibre preforms, optical fibres and cables which would otherwise be produced by the Prysmian Group in a more cost-efficient manner, and thereby would be able to continue to meet its customers' demand and maintain or even expand its customer base in its sales regions.

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.

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| | | | Year ended December 31, | | | |
|---|---------------|---|--|-------------------------------------|--|-------------------------------------|
| | | | 2015 | | 2016 | |
| | | | Proposed revised annual cap/ annual cap to Original annual cap | | Proposed revised annual cap/ annual cap to Original annual cap | |
| Purchaser | Seller | Goods | remain as originally approved | remain as originally approved | remain as originally approved | remain as originally approved |
| | | | (RMB'000) | | | |
| 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 |

LETTER FROM THE BOARD

(b) 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 and the increase in demand for optical fibre cables from Prysmian Wuxi as a result of the business expansion of the Company. The Company has been manufacturing both single-mode optical fibres and multi-modes optical fibres at the same time to serve customers in different industries. Demands for single-mode optical fibres and optical fibre cables are expected to increase significantly as a result of the Guidance Opinion on Accelerating the Construction of High-speed Broadband Network to Promote Network Speed and to Drop Charges issued by General Office of the State Council (國務院辦公廳關於加快高速寬帶網絡建設推進網絡提速降費的指導意見) (國辦發[2015]41號) issued in May 2015 because both single-mode optical fibres and optical fibre cables would be used for the construction of the broadband network for telecommunications industry. At the same time, demands for multi-modes optical fibres by domestic sub-contractors in the data-centre industrial chain are also expected to increase as driven by the booming development of data centre business in China. In anticipation of the increasing demand in China, the Company has to purchase more optical fibre cables from various suppliers including Prysmian Wuxi. Since the Company will focus on the production of the single-mode optical fibres to satisfy the demand from its major market, the China's telecommunications industry, the Company will have to purchase more multi-modes optical fibres from Draka Fibre to serve its customers in the data centre industry; and

LETTER FROM THE BOARD

- (iii) the capacity backup for optical fibre cables in response to the long-term partnership between the Company and the Prysmian Group. The Prysmian Group, using the same PCVD technology as the Company which is capable of producing optical fibre preforms with more accurate refractive index profiles, is able to guarantee the quality and reliability of optical fibre cables to be supplied to the Company and best suits the needs of the Company.

At the time of the listing of the H Shares on the Stock Exchange in December 2014, the Company was not able to foresee that the domestic demand for optical fibres and optical fibre cables would significantly increase in 2015 due to the Guidance Opinion issued by the General Office of the State Council. The Company has placed and reasonably expects to place more orders with Draka Fibre and Prysmian Wuxi than expected at the time of the listing of the H Shares on the Stock Exchange in late 2014.

Having taken into account of the contracts on hand with the three state-owned telecommunications operators in the PRC and domestic sub-contractors in the data-centre industrial chain, as well as the Guidance Opinion issued by the General Office of the State Council, the Board considers that the existing annual caps in respect of 2015 and 2016 for the purchase transactions with the Prysmian Group shall be revised.

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.

F. 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

LETTER FROM THE BOARD

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 (including 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.

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. Accordingly, Mr. Vanhille has abstained from voting on the resolution in respect of the Revised Annual Caps.

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

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

Prysmian S.p.A. is listed on the Milan Stock Exchange (Stock Code: PRYMY). Prysmian S.p.A. (together with its group companies) is a world leader in the energy and telecom cables and systems industry. In the telecom sector, Prysmian S.p.A. (together with its group companies) manufactures cables and accessories for the voice, video and data transmission industry, offering a complete range of optical fibre preforms, optical fibres, optical and copper cables and connectivity systems.

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

H. Listing Rules Implications

As at the Latest Practicable Date, 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

LETTER FROM THE BOARD

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.

3. EGM

A notice convening the EGM to be held at Multi-Media Meeting Room, 201# Building, No. 9 Guanggu Avenue, East Lake High-tech Development Zone, Wuhan, Hubei Province, PRC on Wednesday, August 5, 2015 at 10:00 a.m. is set out on pages 53 to 54 of this circular. At the EGM, an ordinary resolution will be proposed to approve the Revised Annual Caps.

In accordance with the Listing Rules, Draka and its associates will abstain from voting at the EGM on the ordinary resolution to approve the Revised Annual Caps.

In order to determine the holders of H Shares who are entitled to attend the EGM, the H Shares register of members of the Company will be closed from Monday, July 6, 2015 to Wednesday, August 5, 2015 (both days inclusive), during which period no transfer of H Shares will be effected. Holders of H Shares who wish to attend the EGM but have not registered the transfer documents are required to deposit the transfer document together with the relevant share certificates at the H share registrar of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, at or before 4:30 p.m. on Friday, July 3, 2015. Holders of H Shares whose names appear on the H Shares register of members of the Company at the close of business on Friday, July 3, 2015 are entitled to attend the EGM.

A reply slip and a proxy form for use at the EGM is enclosed with this circular. If you intend to appoint a proxy to attend the EGM, you are required to complete and return the accompanying proxy form in accordance with the instructions printed thereon. The proxy form should be returned to the Company's H share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for holder of H Shares and to the Company's Board of Directors' Office at No. 9 Guanggu Avenue, East Lake High-tech Development Zone, Wuhan, Hubei Province, PRC (Postal code: 430073)

LETTER FROM THE BOARD

for holder of Domestic Shares by hand or by post not less than 24 hours before the time appointed for holding the EGM or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or at any adjourned meeting should you so wish, but in such event the instrument appointing a proxy shall be deemed to be revoked. If you intend to attend the EGM in person or by proxy, you are required to complete and return the reply slip to the Company's H share registrar, Tricor Investor Services Limited, for holder of H Shares or to the Company's Board of Directors' Office for holder of Domestic Shares, at the above addresses, on or before Thursday, July 16, 2015.

4. VOTING BY WAY OF POLL

Under the Listing Rules, the Revised Annual Caps are subject to the approval of the Independent Shareholders. Any connected person with a material interest in the Continuing Connected Transactions, and any Shareholder with a material interest in the Continuing Connected Transactions and its associates (as defined in the Listing Rules), shall abstain from voting on the resolution approving the Revised Annual Caps. Accordingly, Draka and its associates will be required to abstain from voting on the ordinary resolution to approve the Revised Annual Caps at the EGM.

Pursuant to Rule 13.39(4) of the Listing Rules, all votes at the EGM will be taken by poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

5. RECOMMENDATION

Fortune Financial Capital has been retained as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Revised Annual Caps. Fortune Financial Capital considers that the Revised Annual Caps are fair and reasonable and in the interest of the Company and its Shareholders as a whole. Accordingly, Fortune Financial Capital advises the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the relevant resolution to be proposed at the EGM. The text of the letter from Fortune Financial Capital containing its advice and the principal factors and reasons it has taken into consideration in arriving at its advice is set out on pages 30 to 46 of this circular.

The Independent Board Committee, having taken into account the advice of Fortune Financial Capital, considers that the Revised Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and its Shareholders as a whole. Accordingly, the Independent Board Committee recommends that Independent Shareholders vote in favour of the ordinary resolution to be proposed at the EGM to approve the Revised Annual Caps, as detailed in the notice of the EGM set out on pages 53 to 54 of this circular. The text of the letter from the Independent Board Committee is set out on page 29 of this circular.

The Directors (including the independent non-executive Directors) are of the view that the Continuing Connected Transactions, which have been and will be entered into in

LETTER FROM THE BOARD

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 are of the view that the Revised Annual Caps are fair and reasonable and in the interests of the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favor of the relevant ordinary resolution to be proposed at the EGM.

6. FURTHER INFORMATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on page 29 of this circular, and the letter from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders in respect of the Revised Annual Caps set out on pages 30 to 46 of this circular.

Your attention is also drawn to the general information set out in the Appendix to this circular.

Yours faithfully

For and on behalf of the Board

Yangtze Optical Fibre and Cable Joint Stock Limited Company*

長飛光纖光纜股份有限公司

Wen Huiguo

Chairman

* For identification purposes only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

June 19, 2015

To the Independent Shareholders

Dear Sir or Madam,

We refer to the circular of the Company to the Shareholders dated June 19, 2015 (the "Circular") of which this letter forms part. Terms used herein shall have the same meanings as given to them in the Circular unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders on whether the Revised Annual Caps are fair and reasonable and are in the interest of the Company and its Shareholders as a whole.

Fortune Financial Capital has been appointed by the Company as the Independent Financial Adviser to advise us and the Independent Shareholders in respect of the Revised Annual Caps.

We wish to draw your attention to the letter from the Board set out on pages 6 to 28 of the Circular which contains, among others, information on the Revised Annual Caps, as well as the letter from the Independent Financial Adviser set out on pages 30 to 46 of the Circular which contains its advice and recommendations in respect of the Revised Annual Caps and the principal factors and the reasons taken into consideration for its advice and recommendations.

Having taken into account the advice of the Independent Financial Adviser, we consider that the terms of the Revised Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and its Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favor of the relevant ordinary resolution to be proposed at the EGM.

Yours faithfully,
Independent Board Committee

Mr. NGAI Wai Fung

Mr. IP Sik On Simon

Mr. LI Ping

Mr. LI Zhuo

*Independent
non-executive Director*

*Independent
non-executive Director*

*Independent
non-executive Director*

*Independent
non-executive Director*

* For identification purposes only

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.



Fortune Financial Capital Limited

35th Floor

Office Tower Convention Plaza

1 Harbour Road, Wanchai

Hong Kong

19 June 2015

*To: The Independent Board Committee and the Independent Shareholders of
Yangtze Optical Fibre and Cable Joint Stock Limited Company*

Dear Sirs,

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

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Prysmian Sales Framework Agreement and the Prysmian Purchase Framework Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 19 June 2015 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Reference is made to the Prospectus, among other matters, the Continuing Connected Transactions for a term of three years (subject to other conditions) from 10 December 2014, in relation to selling and purchasing of optical fibre preforms, optical fibres, optical fibre cables, raw materials, equipment parts for optical fibre production to, and from, certain members of the Prysmian Group. At the time of the listing of the H Shares on the Stock Exchange in December 2014, the Company had applied, and the Stock Exchange had granted, a waiver from strict compliance with the announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules relating to the aforementioned non-exempt continuing connected transactions between the Group and the Prysmian Group. Pursuant to the Waiver, the sales and purchase transactions with the Prysmian Group are subject to the respective annual caps for the year ended 31 December 2014, and the years ending 31 December 2015 and 2016.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 29 May 2015, the Company announced that the existing annual caps for (i) 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 (ii) 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 (collectively, the “**Existing Annual Caps**”) will not be able to satisfy the business needs of the Group and the demands from the Prysmian Group for the years ending 31 December 2015 and 2016.

As set out in the announcement of the Company dated 29 May 2015 in relation to the proposed revision of annual caps for the Continuing Connected Transactions, the Board proposed to revise existing annual caps for 2015 and 2016 for the sales transactions and the purchase transactions with the Prysmian Group and YOFC Shanghai (the “**Annual Caps Revision**”). As confirmed by the Directors, no terms have been modified or changed since the parties entered into the Prysmian Sales Framework Agreement and the Prysmian Purchase Framework Agreement.

As at the Latest Practicable Date, Draka is interested in 28.12% of the total issued share capital of the Company and is therefore a substantial shareholder of the Company. Draka is an indirect wholly-owned subsidiary of Prysmian S.p.A. As a result, Prysmian S.p.A is a connected person of the Company. Accordingly, the transactions contemplated under the Prysmian Sales Framework Agreement and the Prysmian Purchase Framework Agreement entered into between the Company and Prysmian S.p.A constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Since one of the applicable percentage ratios in respect of the Continuing Connected Transactions exceeds 5%, as determined in accordance with Rule 14.07 of the Listing Rules, the Continuing Connected Transactions are subject to the annual reporting, annual review, announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll.

To the best of the Directors’ knowledge, information and belief after having made all reasonable enquiries, save and except Draka and its associates, who will abstain from voting at the EGM, no other Shareholder is required to abstain from voting on the resolutions in relation to the Annual Caps Revision at the EGM.

The Independent Board Committee, comprising Mr. Ngai Wai Fung, Mr. Ip Sik On Simon, Mr. Li Ping and Mr. Li Zhuo (all being the independent non-executive Directors), has been established to advise the Independent Shareholders as to whether (i) the Annual Caps Revision is fair and reasonable and in the interests of the Company and its Shareholders as a whole; and (ii) to vote in favour of the resolution to be proposed at the EGM to approve the Revised Annual Caps. We, Fortune Financial Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Directors and the management of the Company. We have assumed that all information and representations provided by the Directors and the management of the Company, for which they are solely and wholly responsible for are true, accurate and complete in all material respects and not misleading or deceptive at the time when they were provided or made and will continue to be so as at the date of the Circular. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiries and careful consideration by the Directors and there are no other facts not contained in the Circular the omission of which would make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any facts or circumstances which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company nor have we conducted any independent investigation into the business, financial conditions and affairs or the prospect of the Group or any of their associates.

The Directors have collectively and individually accepted full responsibility for all information given with regard to the Company including particulars given in compliance with the Listing Rules. The Directors have confirmed, after having made all reasonable enquiries, which to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Annual Cap Revision, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendations to the Independent Board Committee and the Independent Shareholders, we have taken the following principal factors and reasons into consideration:

1. Information on the Group

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.

2. Information on Prysmian S.p.A.

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

3. Background of the Annual Caps Revision

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. 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 31 December 2014 and the years ending 31 December 2015 and 2016.

The Company has closely monitored the progress of its continuing connected transactions. With the continuing 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 the Continuing Connected Transactions will not be able to satisfy the business needs of the Group and the demands from the Prysmian Group for the years ending 31 December 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 (the "**Existing Sales Annual Caps**"), as aggregated, are RMB331,000,000, RMB318,000,000 and RMB342,000,000 for the year ended 31 December 2014 and the years ending 31 December 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 (the "**Existing Purchase Annual Caps**"), as aggregated, are RMB307,000,000, RMB320,000,000 and RMB334,000,000 for the year ended 31 December 2014 and the years ending 31 December 2015 and 2016, respectively.

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The Company proposes to revise the Existing Sales Annual Caps for the sales transactions with Draka Singapore and Prysmian Wuxi for the years ending 31 December 2015 and 2016, and the Existing Purchase Annual Caps for the purchase transactions with Draka Fibre and Prysmian Wuxi for the years ending 31 December 2015 and 2016. As advised by the management of the Company, the Company has not purchased any products from Prysmian Wuxi up to 30 April 2015.

4. Reason for revising the Existing Annual Caps

As set out in the Letter from the Board, 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 will not be able to satisfy the business needs of the Group and the demands from the Prysmian Group; thus, the Annual Caps Revision is necessary.

As confirmed by the Directors, the transactions to be contemplated under the Prysmian Sales Framework Agreement and the Prysmian Purchase Framework Agreement will be in the ordinary and usual course of business of the Group. Given the fact that both of the Group and the Prysmian Group have developed businesses in optical fibres and optical fibre cables which are used in the telecommunications industry as illustrated in the above, we concur with the view of the Directors.

According to the information provided by the Company, as of 30 April 2015, we noticed that the total purchase amount of the Company from Draka Fibre amounted to approximately RMB0.77 million which was equivalent to approximately 6.39% of the original purchase annual cap for the connected transactions between the parties. We also noticed that, as of 30 April 2015, the total sales amount to Draka Singapore and Prysmian Wuxi by the Company amounted to approximately RMB4.47 million and RMB16.58 million which represented a utilisation rate of respective original sales annual cap for the year ending 31 December 2015 of approximately 22.36% and 41.44%. As informed by the Company, the Company has received various purchase orders from Draka Singapore and Prysmian Wuxi in relation to their respective intended purchase quantity for the remaining period of the year ending 31 December 2015, but the Company has yet to confirm such orders without revising the annual caps.

As advised by the management of the Company, due to the unexpected demand in the PRC market and the Company has nearly reached its full utilisation of the existing production capacity on multi-modes optical fibres, the Company has to further purchase multi-modes optical fibres to serve the upcoming customers' needs. As discussed with the Directors, it is expected that the increasing demand from the Groups' customers can be satisfied by these multi-modes optical fibres and optical fibre cables to be purchased from Draka Fibre and Prysmian Wuxi, respectively, after the Annual Caps Revision because the Company does not have a plan to expand its optical fibre capacity. In addition, the increase in the cable production capacity can only be gradually completed.

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Furthermore, as discussed with the management of the Company, the increasing demands from Draka Singapore and Prysmian Wuxi are due to unexpected increase in demand from Singapore telecommunications market and those markets being served by the Prysmian Group. Such increase in demand for the Company's products have not been considered by the Group at the time of determining the Existing Annual Caps, and the Directors expect that the Existing Annual Caps for 2015 will be exceeded.

Taking into consideration (i) the principal business activities of the Group and the Prysmian Group; (ii) the factors as provided by the management of the Company which generate the expectation on the increase in future transactions with connected parties; (iii) the result of our review on those abovementioned purchase orders as provided by the Company; (iv) the Annual Caps Revision can enable the Company to cope with the unexpected demand and change in domestic market condition; and (v) the fact that an increase in revenue from sales transaction is beneficial to the Group, we are of the opinion that the Annual Caps Revision is fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Company and is in the interests of the Group and the Shareholders as a whole.

5. Rationale for determining the Revised Annual Caps

Transactions contemplated under the Prysmian Sales Framework Agreement

Existing Sales Annual Caps and Revised Sales Annual Caps

Set out below are the current annual caps and the proposed annual cap (the "**Revised Sales Annual Caps**") for the sales transactions with Draka Singapore and Prysmian Wuxi for years ending 31 December 2015 and 2016:

| | | For the year ending 31 December | | | |
|-----------------|---|---------------------------------|----------|----------|----------|
| | | 2015 | | 2016 | |
| CCT party | Products | Existing | Proposed | Existing | Proposed |
| | | Sales | Sales | Sales | Sales |
| | | Annual | Annual | Annual | Annual |
| | | Caps | Cap | Caps | Cap |
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Draka Singapore | Optical fibre cables | 20,000 | 24,000 | 20,000 | 29,000 |
| Prysmian Wuxi | Optical fibres and optical fibre cables | 40,000 | 120,000 | 44,000 | 126,000 |

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The Revised Sales Annual Caps for the sales transactions with the Prysmian Group for the years ending 31 December 2015 and 2016 are proposed to be RMB24,000,000 and RMB29,000,000 with Draka Singapore, and RMB120,000,000 and RMB126,000,000 with Prysmian Wuxi, respectively. The change represented approximately 20% and 45% increment in the annual caps for Draka Singapore, and approximately 200% and 186% increment in the annual caps for Prysmian Wuxi, respectively, for the years ending 31 December 2015 and 2016.

Reasons for revising the Existing Sales Annual Caps

With the increasing demand on optical fibres and optical fibre cables and rapid development of the Company's business, the Board considers that the Existing Sales Annual Caps will not be able to satisfy the business needs of the Group and the Annual Caps Revision is necessary.

As set out in the Letter from the Board, in determining the Revised Sales Annual Caps, the Company has taken into account the following factors:

- (i) The historical sales 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 is driven by the increase in production of optical fibre cables as a result of its expected growth in export business and the capacity backup for optical fibres in response to the long-term partnership between the Company and the Prysmian Group.

Historical sales amounts

Set out below is a summary of the historical sales transaction amounts for the years ended 31 December 2012, 2013 and 2014, and for the four months ended 30 April 2015 as well as the Existing Sales Annual Caps:

| CCT Party | Products | For the year ended 31 December | | | Existing Sales Annual Cap | For the | Existing |
|-----------------|---|-----------------------------------|------------------------------|------------------------------|------------------------------------|---|--|
| | | 2012 | 2013 | 2014 | | four months ended 30 April 2015 | Sales Annual Cap for the year ended 31 December 2015 |
| | | Actual amount RMB '000 | Actual amount RMB '000 | Actual amount RMB '000 | RMB '000 | RMB '000 | RMB '000 |
| Draka Singapore | Optical fibre cables | 2,501 | 13,230 | 16,049 | 20,000 | 4,471 | 20,000 |
| Prysmian Wuxi | Optical fibres and optical fibre cables | 26,590 | 27,874 | 40,564 | 70,000 | 16,577 | 40,000 |

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As stated in the annual report for the year ended 31 December 2014 of the Company (the “**2014 Annual Report**”), the Group’s turnover reached RMB5,676.8 million, increased by approximately 17.6% as compared to the turnover for the year ended 31 December 2013 of approximately RMB4,825.9 million. A total turnover of approximately RMB3,229.7 million was contributed from the sale of optical fibre preforms and optical fibres, representing a growth of approximately 18.6% as compared to 31 December 2013 of approximately RMB2,722.7 million and accounting for approximately 56.9% of the Group’s turnover for the year ended 31 December 2014; while a total turnover of approximately RMB1,989.4 million was contributed from the sale of optical fibre cables, representing a growth of approximately 9.5% as compared to 31 December 2013 of approximately RMB1,817.6 million and accounting for approximately 35.0% of the Group’s turnover for the year ended 31 December 2014.

As shown in the above table, the overall sales to Draka Singapore and Prysmian Wuxi increased on an annual basis. The historical sales amount to Draka Singapore showed a robust growth, from approximately RMB2.5 million for the year ended 31 December 2012 to approximately RMB16.0 million for the year ended 31 December 2014, representing a compound annual growth rate of approximately 85.7% over the past three years. The historical sales amount to Prysmian Wuxi showed a steady growth, from approximately RMB26.6 million for the year ended 31 December 2012 to approximately RMB40.6 million for the year ended 31 December 2014, representing a compound annual growth rate of approximately 15.1% over the past three years.

As of the Latest Practicable Date, as advised by the Directors, the actual transaction amounts for sales with the relevant entities have not exceeded the Existing Sales Annual Caps.

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

According to the Infocomm Development Authority of Singapore (the “**IDA**”), in March 2006, the Singapore Government announced its intention to support the development of a Next Generation Nationwide Broadband Network (the “**Next Gen NBN**”) to strengthen its economic competitiveness in an increasingly digital world and to meet its future economic and social needs. The Next Gen NBN is a Fibre-to-Anywhere network project and will help to transform Singapore into an intelligent nation and a global city, powered by info-communications. In addition, the IDA has the intention to increase the spectrum that is available for fourth generation of mobile telecommunications technology (4G). The mobile operators are required to provide 4G network service coverage to nationwide street level by 30 June 2016 and underground road and train tunnels by 30 June 2018. Moreover, the Ministry of Trade and Industry Singapore had conducted a survey revealing that during 2014, the information and communications sector in Singapore

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posted a growth of 3.6% and the number of broadband subscribers in Singapore continued to rise. By November 2014, overall broadband subscriptions, both wireless broadband and optical fibre broadband, expanded by a robust 8.9%. The IDA announced in early April 2015 that 1 billion Singapore dollars would be spent in the building and operation of the Next Gen NBN by year 2015. With the Singapore government's tremendous investments and energetically continuing promotion of the Next Gen NBN, the demand for optical fibre cables is expected to increase in a large amount. Based on the aforementioned facts, we believe that there is a significant increase in the demand of optical fibre cables from Singapore, which in turn stimulates the demand of optical fibre cables from Draka Singapore.

Increase in demand for optical fibres by Prysmian Wuxi as a result of its expected growth in export businesses and the capacity backup for optical fibres in response to the long-term partnership between the Company and the Prysmian Group

As advised by the management of the Company, the optical cables manufactured by Prysmian Wuxi are used to serve its oversea customers. With the dynamic telecommunication industry and increasing demand of superior bandwidth performance from the consumers globally, the demand for optical fibres in producing optical fibre cables are therefore increasing at a relative rate.

As stated in the Prospectus, the Group is restricted to export optical fibre products using the PCVD to Europe, North America, South America, and the Middle East, except Israel. As advised by the management of the Company, the Company's plan in the export sales is to expand to the countries of the Association of Southeast Asian Nations, such as Singapore, Indonesia, Philippines, Vietnam and Myanmar. As disclosed in the Prospectus and the 2014 Annual Report, over 90% of the turnover of the Company was contributed by PRC domestic sales. Increasing sales to Prysmian Wuxi may enable the Company to promote the application of the Company's optical fibres and optical fibre cables globally.

As discussed with the management of the Company, the Company is willing to offer timely supply and fast local delivery services as compared to other companies of the Prysmian Group.

We have checked to samples of purchase orders being placed by Draka Singapore and Prysmian Wuxi and noted from the management of the Company that it may take approximately two months from placing orders to delivery of optical fibre cables. With respect to optical fibres, the Company can deliver upon acceptance of the purchase order depending on the availability of the demanded quantities. We consider that the purchase orders reflect the demand from customers in coming months, therefore, the demand from Draka Singapore and Prysmian Wuxi is expected to persist in the second half of 2015. As confirmed by the management of the Company, the growth rates of the aggregate sales amount to Draka Singapore and Prysmian Wuxi

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recognised by the Group for the five months ended 31 May 2015 compared with the same period in 2014 are approximately 80.12% and 228.43% respectively. Together with the indicative demand of RMB100 million received from Prysmian Wuxi received in May 2015, we are of the view that the increase in the Revised Sales Caps are in line with the Company's business operational needs. As advised by the management of the Company, Draka Singapore and Prysmian Wuxi placed relative large portion of its annual purchase orders in the first half of the year 2015 due to their respective business development and ensure the continuous and stable supplies for the year. After considering the aforementioned information, we are of the view that the increase in the Revised Sales Annual Caps are in line with the increase of aggregate amount of purchase orders.

As advised by the management of the Company, the Company has not accepted any purchase order from Draka Singapore and Prysmian Wuxi as at the Latest Practicable Date.

As disclosed in the Prospectus, the Company and Draka are currently the only companies in the world that produce optical fibre preforms using the PCVD with substantial scale. As advised by the management of the Company, the Company maintains a long term relationship with the Prysmian Group in sales of optical fibres and optical fibre cable related products. The Directors are of the view that such relationship provides a stable sales channel as the Prysmian Group has a concern on product quality consistency. We concur with the Directors after considering the uniqueness of the production using PCVD with substantial scale. Therefore, we are of the view that it is reasonable to take into account the long term relationship between the Company and Draka Singapore while determining the Revised Sales Annual Caps.

Pricing basis for sales of optical fibres

As stated in the Letter from the Board, the pricing terms for each sales transaction contemplated under the Prysmian Sales Framework Agreement is first determined based on the Local Tender Price or on the Export Price. If both the Local Tender Price and the Export Price are not available, the pricing terms shall be consistent with the PRC Tender Price. The Local Tender Price and the PRC Tender Price will be fixed when the overseas telecommunications operators in Singapore, Brazil or the three state-owned telecommunications operators in the PRC have completed their bidding process and announced the bidding results. The bidding results including the tender price will be made available to all the bidders participating in the bidding process including the Company. If the Company does not participate in the overseas bidding process, the Company can only gain access to the Local Tender Price through the Prysmian Group when the overseas telecommunications operators do not announce its tender price publicly. The bidding process will only be carried out by the overseas telecommunications operators when they have the business needs and therefore the Local Tender Price will not be announced on a frequent basis.

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Every year, the three state-owned telecommunication operators, namely China Mobile Communications Corporation, China Telecom Corporation Limited and China United Network Communications Group Co., Ltd, carry out their respective central bidding to determine the volume of optical fibres and optical fibre cables to be purchased from each domestic manufacturer in the PRC. The PRC Tender Price will be announced to industry participants after the completion of central bidding process and it will form a benchmark or guideline for the price range of optical fibres and optical fibre cables.

As for the Export Price, the management of the Company confirmed that they gather the pricing information from the General Administration of Customs of the PRC to determine a competitive price.

Internal control procedures are established in governing the price list and a predetermined price range will be set by the chief sales officer of the Company in the first quarter every year by reference to the Local Tender Price and the PRC Tender Price. The price range will also be updated from time to time to incorporate the latest Export Price. The salesmen are responsible to ensure the price offered falls within the predetermined price range. Where the price of any order is below the minimum value of the predetermined price range, it shall be approved by both the chief sales officer and the general manager of the Company to ensure prices offered to the connected parties will be no less favourable than prices offered to the independent third parties.

We are of the view that the aforementioned pricing basis is reasonable because (i) the selling prices of optical fibres and optical fibre cables are set by the third parties; (ii) the Local Tender Price and the PRC Tender Price are mainly arrived at prices being agreed by those reputable telecommunications operators in the PRC and globally dependent on the place of origin on where the business are conducted; and (iii) internal procedures to govern the price list to ensure both the prices offered by the Company to Draka Singapore and Prysmian Wuxi will be no less favourable than prices offered to the independent third parties.

As disclosed in the Letter from the Board, at the time of listing of the H Shares, the Company was not able to foresee that since 2015 Draka Singapore would have secured increasing number of orders from the three major telecommunication operators in Singapore and Prysmian Wuxi has changed its sourcing plan by purchasing more single-modes optical fibres from the Company than from the Prysmian Group as a result of the cost competitive advantage of the Company on the production of single-mode optical fibres. Considering that the IDA announced in early April 2015 that 1 billion Singapore dollars would be spent for the development of the Next Gen NBN by year 2015, we are of the view that the demand on optical fibre cables in Singapore grows rapidly from 2014 to 2015, as such, we believe that the Company was not able to identify the increase of demand on optical fibres in Singapore at the time of listing of the H Shares and it is reasonable to expect Draka Singapore will have an increasing demand on optical fibres provided by the Company in 2015.

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For due diligence purpose, we have conducted independent research and reviewed the supporting documents in arriving at the basis in determining the Revised Sales Annual Caps. The said basis include (i) the historical amounts of the continuing connected transactions for the year ended 31 December 2014 and the four months ended 30 April 2015; (ii) the increasing demand of superior bandwidth performance from consumers; and (iii) the Group's future plan in further enlarging its export sales.

Transactions contemplated under the Prysmian Purchase Framework Agreement

Existing Purchase Annual Caps and Revised Purchase Annual Caps

Set out below are the Existing Purchase Annual Caps and the proposed revised annual caps (the "**Revised Purchase Annual Caps**") for the years ending 31 December 2015 and 2016:

| | | For the year ending 31 December | | | |
|---------------|---|---------------------------------|----------|----------|----------|
| | | 2015 | | 2016 | |
| CCT party | Products | Existing | Proposed | Existing | Proposed |
| | | Purchase | Purchase | Purchase | Purchase |
| | | Annual | Annual | Annual | Annual |
| | | Caps | Cap | Caps | Cap |
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Draka Fibre | Equipment parts for optical fibre production, optical fibres and optical fibre cables | 12,000 | 42,000 | 12,000 | 60,000 |
| Prysmian Wuxi | Optical fibre cables | Nil | 12,000 | Nil | 13,000 |

The Revised Purchase Annual Caps for the purchase transactions with the Prysmian Group for the years ending 31 December 2015 and 2016 are RMB42,000,000 and RMB60,000,000, respectively, with Draka Fibre. The change represented a 250% and 400% increment in the annual caps for Draka Fibre, respectively, for the years ending 31 December 2015 and 2016. Furthermore, the Group proposed to obtain an annual cap for the purchase of optical cables with Prysmian Wuxi of RMB12,000,000 and RMB13,000,000 for the years ending 31 December 2015 and 2016 respectively.

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Reasons for revising the Existing Purchase Annual Caps

As set out in the Letter from the Board, in determining the Revised Purchase Annual Caps, the Company has taken into account the following factors:

- (i) The historical transaction amounts with the Prysmian Group;
- (ii) The increase in demand of the Company for multi-modes optical fibres, of which the Company has nearly reached its full production capacity 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.

Historical purchase amounts

Set out below is a summary of the historical purchase transaction amounts for the years ended 31 December 2012, 2013 and 2014, and for the four months ended 30 April 2015 as well as the Existing Purchase Annual Caps for the year ended 31 December 2014 and for the year ending 31 December 2015:

| CCT Party | Products | For the year ended 31 December | | | Existing Purchase Annual Cap | For the | Existing |
|-------------|---|-----------------------------------|-----------------------------|-----------------------------|---------------------------------------|---|--|
| | | 2012 | 2013 | 2014 | | four months ended 30 April 2015 | Purchase Annual Cap for the year ending 31 December 2015 |
| | | Actual amount RMB'000 | Actual amount RMB'000 | Actual amount RMB'000 | RMB'000 | Actual amount RMB'000 | RMB'000 |
| Draka Fibre | Equipment parts for optical fibre production, optical fibres and optical fibre cables | 51,200 | 3,369 | 10,132 | 12,000 | 767 | 12,000 |

As shown in the above table, purchases from Draka Fibre had reached approximately RMB10.1 million for the year ended 31 December 2014. As confirmed by the management of the Company, the reason for the overall decrease in purchase from Draka Fibre was that some optical fibre production equipment were purchased by the Company for the optical fibre production capacity expansion in 2012.

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Increase in demand for multi-mode optical fibres

Due to the increasing demand for high transmission speed in data and telecommunication systems, multi-mode optical fibres are used as they possess superior bandwidth and high data rate capabilities, and resolve the problem of attenuation which single-mode optical fibres would encounter. Plasma-activated Chemical Vapour Deposition optical fibre preform making process (the “PCVD”) is good at manufacturing multi-mode optical fibres. PCVD shows excellent capability to manufacture high quality multi-mode optical fibres. According to the Prospectus, the Company and Draka are currently the only companies in the world that produce optical fibre preforms using the PCVD with substantial scale. PCVD is the most flexible optical fibre preforms production process, such flexibility enables the Company to offer customised solutions to its customers. Draka owns core patents of the PCVD and the Company entered into the PCVD agreement with Draka dated 3 November 2011 (the “PCVD Agreement”) pursuant to which Draka has granted licenses to the Company for use of certain software and source codes for the manufacturing of optical fibre preforms in the PRC. For due diligence purpose, we have obtained such information from the website of the State Intellectual Property Office of the PRC (“<http://cpquery.sipo.gov.cn/>”) and noted that such patent right was granted to the Company. As mentioned in the sections headed “Transactions contemplated under the Prysmian Sales Framework Agreement”, the Group’s turnover had increased due to increased demand of broadband development. As confirmed by the management of the Company, since the utilisation rate of multi-modes optical fibres has nearly reached its full production capacity for the year ended 31 December 2014 and the four months ended 30 April 2015, it is necessary to increase the procurement in order to cope with the significant increase in demand for multi-mode optical fibres. The Board considers that increasing their purchases from the Prysmian Group is suitable as the product quality consistency can be ensured by the PCVD, the technique being used by Draka and the Company. As a result, the Board considers it is necessary to revise the Existing Purchase Annual Caps to cope with such unexpected demand.

In addition, as mentioned in the sections headed “Transactions contemplated under the Prysmian Sales Framework Agreement” in the above and illustrated in the paragraph below, the demand for optical fibres in the PRC continues to increase due to enhancement of infrastructure recently promoted by the Chinese government. Based on our research, we concur with the view of Directors that it is necessary to revise the Existing Purchase Annual Caps of Draka Fibre.

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Proposed Purchase Annual Caps for Prysmian Wuxi

As stated in the 2014 Annual Report, the PRC government has greatly promoted the “Broadband China Strategy” and the major telecommunication operators have commenced their scalable construction of 4G mobile network and fibre to the home (FTTH) network during 2014, which resulted in booming demand in the optical fibre cable market in the PRC. According to the announcement released by the Communications Development Department of Industry and Information Technology of the PRC (中華人民共和國工信部通信發展司) in February 2015, the PRC government will aim for several milestones including (i) the establishment of 80 million new optical fibre households; (ii) the construction of over 600,000 new 4G base stations; and (iii) the new broadband accesses to 14,000 administrative villages in 2015. We have reviewed the Guidance Opinion on Accelerating the Construction of High-speed Broadband Network to Promote Network Speed and to Drop Charges issued by General Office of the State Council (國務院辦公廳關於加快高速寬帶網絡建設推進網絡提速降費的指導意見) (國辦發 [2015] 41號) issued in May 2015. As part of the Broadband China Strategy in 2015, the PRC government will invest over RMB430 billion on network infrastructure. We are of the view that the construction of network infrastructure will lead to the increase in demand for optical fibre cables. According to the Broadband China Strategy, by the end of 2015, optical broadband speeds of 100 Mbps will be available to 80% of urban families; the optical network coverage will be over 50% of urban areas; and 95% or more of administrative villages will be able to access fixed or mobile broadband. There will be over 1.3 million 4G base stations and over 300 million 4G users in PRC. Since the optical cable industry is rapidly developing, the demand is therefore increasing exponentially. As discussed with the management of the Company, the Group might not be able to cope with the demand due to the limitation of the existing production capacity on optical fibre cables; therefore the Board considers that it is suitable to purchase optical cables from its associates, Prysmian Wuxi, when they cannot meet the demand by internal resources. Having considered the aforementioned factors, we are of the view that the increase in the Existing Purchase Annual Caps of Draka Fibre and the proposed purchase of optical cables from Prysmian Wuxi are necessary.

As disclosed in the Prospectus, the Company and Draka are currently the only companies in the world that produce optical fibre preforms using the PCVD with substantial scale. As advised by the management of the Company, the Company maintains a long term relationship with Prysmian Group in purchases of optical fibres related products. The Directors are of the view that such relationship can ensure the product quality consistency. We concur with the Directors after considering the uniqueness of the production using PCVD with substantial scale. Thus, we are of the view that it is reasonable to take into account the long term relationship between the Company and Draka while determining the Purchase Annual Caps.

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As confirmed by the management of the Company, the Company has not placed any purchase orders with Prysmian Wuxi for the five months ended 31 May 2015. The aggregate amount of purchase cost recognised, indicative demand and purchase orders with Draka Fibre for the five months ended 31 May 2015 was approximately RMB36 million which accounted for approximately 86% of the Revised Purchase Annual Caps. Taking into account the relative high utilisation rate, we are of the view that the increase in the purchase orders placed by Draka Fibre is in line with the Revised Purchase Annual Caps.

For due diligence purpose, we have conducted independent research on the PCVD and PRC optical fibres market and discussed with the management of the Company regarding the rationale in arriving at the Revised Purchase Annual Caps.

Pricing basis for purchase of optical fibres

As stated in the Letter from the Board, the pricing terms for each purchase transaction contemplated under the Prysmian Purchase Framework Agreement is first determined by the Import Price or the Purchase PRC Tender Price announced by the three state-owned telecommunications operators in the PRC as mentioned in the above section headed "Transactions contemplated under the Prysmian Sales Framework Agreement – Pricing basis for sales of optical fibres". Similarly, a predetermined price range for purchases will be set by the head of supply chain department of the Company at the beginning of each financial year with reference to the latest available Import Price and such range will be updated from time to time based on the latest information available from the General Administration of Customs of the PRC. As confirmed by the management of the Company, internal procedure has been established in which the procurement staff is responsible to ensure that the price of each purchase order shall fall within the predetermined price range. Where the price of any order is above the maximum value of the predetermined price range, it shall be approved by both the head of supply chain department and the general manager of the Company. Having considered that (i) the purchase price is based on information gathered from the General Administration of Customs of the PRC or prevailing tender price announced by the three state-owned telecom operators, which are both from external parties; and (ii) internal procedure has been established to ensure the purchase price offered will be no less favourable to the Company, we are of the view that the pricing basis is reasonable.

Having considered the above reasons for the Annual Caps Revision, we concur with the Directors that the Revised Annual Caps is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Revised Annual Caps are determined by the management based on assumptions, among others, current estimation of the demand from the Prysmian Group and market conditions. Accordingly, we express no opinion as to how closely the actual amounts contemplated under the Continuing Connected Transactions in comparison to the Revised Annual Caps.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

LISTING RULES IMPLICATIONS

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the Continuing Connected Transactions must be restricted by the Revised Annual Caps for the two years ending 31 December 2015 and 2016; (ii) the Revised Annual Caps, including the terms of Prysmian Sales Framework Agreement and Prysmian Purchase Framework Agreement, must be reviewed by the independent non-executive Directors annually; and (iii) details of the independent non-executive Directors' annual review on the terms of the Prysmian Sales Framework Agreement and Prysmian Purchase Framework Agreement must be included in the Company's subsequent published annual reports and financial accounts. Furthermore, it is also required by the Listing Rules that the auditor of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Continuing Connected Transactions are not, in all material respects, in accordance with the pricing policies of the Company, and the Revised Annual Caps are being exceeded. In the event that the total amounts of the Continuing Connected Transactions exceed the Revised Annual Caps, or that there is any material amendment to the terms of the Prysmian Sales Framework Agreement and the Prysmian Purchase Framework Agreement, the Company, as confirmed by the Directors, shall re-comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules by the Company, we are of the view that there are adequate measures in place to monitor the Continuing Connected Transactions (together with the Revised Annual Caps) and hence the interests of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having considered the principal factors and reasons discussed above, we are of the view that the Annual Caps Revision is fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, and recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the proposed resolution to be proposed at the EGM to approve the Annual Caps Revision.

Yours faithfully,
For and on behalf of
FORTUNE FINANCIAL CAPITAL LIMITED

Stanley Chung
Managing Director

Mr. Stanley Chung is a licensed person under the SFO to engage in type 6 (advising on corporate finance) regulated activities. He has over 14 years of experience in corporate finance.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests and Short Positions of the Directors, Supervisors and the Chief Executive in the Shares, Underlying Shares and Debentures

As at the Latest Practicable Date, none of the Directors, supervisors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO), or which were required to be entered in the register required to be kept under Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the supervisors and the chief executive).

(b) Directors' Positions in Other Companies

As at the Latest Practicable Date, as far as the Company is aware, the following Directors are employed by the following company which has interests or short positions in the shares or underlying shares of the Company which are required to be notified to the Company and the Stock Exchange pursuant to Division 2 and 3 of Part XV of the SFO:

| Name of Director | Position Held in the Specific Company |
|-------------------------|--|
| Wen Huiguo | A member of the management committee of China Huaxin |
| Ma Jie | The vice chairman of the management committee and the executive deputy general manager of China Huaxin, and a non-executive director in certain subsidiaries of China Huaxin |

| | |
|--------------------------|--|
| Yao Jingming | The deputy general manager of China Huaxin and several positions in certain subsidiaries of China Huaxin |
| Philippe Claude Vanhille | The senior vice-president of Telecom Business of the Prysmian Group, an executive director of Draka and several positions in certain subsidiaries of Prysmian S.p.A. |
| Xiong Xiangfeng | The president of Yangtze Communications and several positions in certain subsidiaries of Yangtze Communications |
| Zheng Huili | The deputy secretary of the party committee and the general secretary of the discipline committee of Yangtze Communications |

(c) Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at the Latest Practicable Date, the following persons (other than Directors, supervisors or chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

| Name of Shareholders | Capacity | Class of Shares | Number of Shares interested | Approximate percentage of interest in the Company | Approximate percentage of the relevant classes of Shares of the Company | Nature of interest |
|---------------------------------------|--------------------------------------|-----------------|-----------------------------|---|---|--------------------|
| China Huaxin | Beneficial owner | Domestic Shares | 179,827,794 | 28.12% | 59.99% | Long position |
| China Reform Holdings Corporation Ltd | Interest of a controlled corporation | Domestic Shares | 179,827,794 | 28.12% | 59.99% | Long position |
| Yangtze Communications | Beneficial owner | Domestic Shares | 119,937,010 | 18.76% | 40.01% | Long position |
| Draka | Beneficial owner | H Shares | 179,827,794 | 28.12% | 52.94% | Long position |
| Draka Holding B.V. | Interest of a controlled corporation | H Shares | 179,827,794 | 28.12% | 52.94% | Long position |

| Name of Shareholders | Capacity | Class of Shares | Number of Shares interested | Approximate percentage of interest in the Company | Approximate percentage of the relevant classes of Shares of the Company | Nature of interest |
|--|--------------------------------------|-----------------|-----------------------------|---|---|--------------------|
| Prysmian S.p.A. | Interest of a controlled corporation | H Shares | 179,827,794 | 28.12% | 52.94% | Long position |
| Prysmian Cavi e Sistemi S.r.L. | Interest of a controlled corporation | H Shares | 179,827,794 | 28.12% | 52.94% | Long position |
| Integrated Asset Management (Asia) Limited | Beneficial owner | H Shares | 20,000,000 | 3.13% | 5.89% | Long position |
| Yam Tak Cheung | Interest of a controlled corporation | H Shares | 20,000,000 | 3.13% | 5.89% | Long position |
| Value Partners Group Limited | Interest of a controlled corporation | H Shares | 18,500,000 | 2.89% | 5.44% | Long position |
| Value Partners High-Dividend Stocks Fund | Beneficial Owner | H Shares | 17,086,000 | 2.67% | 5.03% | Long position |

Notes:

- (1) China Huaxin is wholly owned by China Reform Holdings Corporation Ltd. China Reform Holdings Corporation Ltd is therefore deemed to be interested in 179,827,794 domestic shares being held by China Huaxin.
- (2) Draka is a wholly-owned subsidiary of Draka Holding B.V.. Draka Holding B.V. is therefore deemed to be interested in 179,827,794 H shares being held by Draka.
- (3) Draka Holding B.V. is held as to 52.165% by Prysmian S.p.A. and 47.835% by Prysmian Cavi e Sistemi S.r.L., a wholly-owned subsidiary of Prysmian. As set out in note (2) above, each of Prysmian S.p.A. and Prysmian Cavi e Sistemi S.r.L. is therefore deemed to be interested in 179,827,794 H shares held by Draka.
- (4) Integrated Asset Management (Asia) Limited is wholly owned by Mr. Yam Tak Cheung and Mr. Yam Tak Cheung is therefore deemed to be interested in 20,000,000 H shares held by Integrated Asset Management (Asia) Limited.
- (5) Value Partners Group Limited is deemed to be interested in 18,500,000 H shares held by Value Partners Limited. Value Partners Limited is wholly owned by Value Partners Hong Kong Limited, which was a wholly-owned subsidiary of Value Partners Group Limited.

3. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates had engaged in or had any interest in any business which competes or may compete, either directly or indirectly, with the businesses of the Group except for Mr. Philippe Claude Vanhille who has been serving as the senior vice-president of telecom business of the group of Prysmian S.p.A. and primarily responsible for its global telecom business. The Prysmian Group produces a complete range of optical fibres, optical and copper cables and accessories for connectivity systems. The Prysmian Group has similar business serving the telecom sector as the Company and therefore competes with the Company. Mr. Vanhille holds several positions in certain subsidiaries of Prysmian S.p.A. as more particularly described below:

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

4. DIRECTORS AND SUPERVISORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors or supervisors of the Company had any direct or indirect interest in any assets which had since December 31, 2014, being the date to which the latest published audited accounts of the Group were made up, been acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors or supervisors of the Company was materially interested, either directly or indirectly, in any contract or arrangement entered into by any member of the Group which was subsisting at the Latest Practicable Date and was significant to the business of the Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or supervisors of the Company had entered into a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

6. EXPERT AND CONSENT

Fortune Financial Capital has given and has not withdrawn its consent to the issue of this circular with the inclusion herein of its letter of advice dated June 19, 2015, and report and references to its name included in the form and context in which it appears.

The following is the qualification of the expert who has given an opinion or advice, which is contained in this circular:

| Name | Qualification |
|-----------------------------------|---|
| Fortune Financial Capital Limited | a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO |

As at the Latest Practicable Date, Fortune Financial Capital did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Fortune Financial Capital was not interested, directly or indirectly, in any assets which had since December 31, 2014, being the date to which the latest published audited accounts of the Group were made up, been acquired or disposed of by or leased to, or proposed to be acquired or disposed of by or leased to, any member of the Group.

7. MATERIAL ADVERSE CHANGE

Save as publicly disclosed by the Company on the HKExnews website on or before the date of this circular, as at the Latest Practicable Date, the Directors confirmed that they were not aware of any material adverse change in the financial or trading positions of the Group since December 31, 2014, being the date to which the latest published audited accounts of the Group were made up.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the office of Simpson Thacher & Bartlett at 35th Floor, ICBC Tower, 3 Garden Road, Central, Hong Kong from the date of this circular up to and including July 10, 2015 and at the EGM.

- (a) the Sales Framework Agreements and the Purchase Framework Agreements;
- (b) the letter from the Independent Board Committee dated June 19, 2015, the text of which is set out on page 29 of this circular;
- (c) the letter from the Independent Financial Adviser dated June 19, 2015, the text of which is set out on pages 30 to 46 of this circular;
- (d) the consent letter from Fortune Financial Capital referred to in the paragraph headed "Expert and Consent" in this Appendix;
- (e) the articles of association of the Company; and
- (f) this circular.

9. GENERAL

- (a) The registered office of the Company is at No. 9 Guanggu Avenue, East Lake High-tech Development Zone, Wuhan, Hubei Province, PRC.
- (b) The H Share Registrar, Tricor Investor Services Limited, is situated at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

NOTICE OF EXTRAORDINARY GENERAL MEETING



Yangtze Optical Fibre and Cable Joint Stock Limited Company*

長飛光纖光纜股份有限公司

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

(Stock Code: 6869)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM” or the “**Meeting**”) of Yangtze Optical Fibre and Cable Joint Stock Limited Company (the “**Company**”) will be held on Wednesday, August 5, 2015 at 10:00 a.m. at Multi-Media Meeting Room, 201# Building, No. 9 Guanggu Avenue, East Lake High-tech Development Zone, Wuhan, Hubei Province, PRC, for the purpose of considering and if thought fit, passing the following resolution as an ordinary resolution of the Company:

1. **“THAT:**

- (i) the Revised Annual Caps (as defined in the circular of the Company dated June 19, 2015) for the Continuing Connected Transactions (as defined in the circular of the Company dated June 19, 2015) for the years ending December 31, 2015 and 2016 be and are hereby approved and confirmed; and
- (ii) the directors of the Company acting together or by committee, or any director of the Company acting individually, be and is/are hereby authorized to take all steps necessary on behalf of the Company, that he, she or they may, in his/her/their absolute discretion, consider necessary, desirable or expedient for the purpose of, or in connection with, the implementing and/or giving effect to the Revised Annual Caps (as defined in the circular of the Company dated June 19, 2015).”

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, June 19, 2015

* For identification purposes only

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

(1) Closure of register of members and eligibility for attending the EGM

Holders of H shares of the Company (“H Shares”) are advised that the register of members will be closed from Monday, July 6, 2015 to Wednesday, August 5, 2015 (both days inclusive). Holders of H Shares whose names appear on the register of members of the Company maintained in Hong Kong at the close of business on Friday, July 3, 2015 are entitled to attend the EGM. Holders of H Shares who wish to attend the EGM but have not registered the transfer documents are required to deposit the transfer document together with the relevant share certificates at the H Share registrar of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, at or before 4:30 p.m. on Friday, July 3, 2015.

(2) Proxy

Shareholders entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote in their stead. A proxy need not be a shareholder of the Company. The instrument appointing a proxy must be in writing under the hand of a shareholder or his attorney duly authorized in writing. If the shareholder is a corporate body, the proxy form must be either executed under its common seal or under the hand of its director(s) or duly authorized attorney(s). If the proxy form is signed by an attorney of the shareholder, the power of attorney authorizing that attorney to sign or other authorization documents must be notarized. To be valid, the proxy form together with the power of attorney or other authorization document (if any) must be lodged at the H Share registrar of the Company for holder of H Shares and to the Company’s Board of Directors’ Office for holders of domestic shares of the Company (the “Domestic Shares”) by hand or by post not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude a shareholder from attending and voting in person at the EGM if he so wishes, but in such event the instrument appointing a proxy shall be deemed to be revoked. The H Share registrar of the Company is Tricor Investor Services Limited, whose address is at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong. The Company’s Board of Directors’ Office is located at No. 9 Guanggu Avenue, East Lake High-tech Development Zone, Wuhan, Hubei Province, PRC (Postal code: 430073).

(3) Reply Slip

Shareholders who intend to attend the EGM in person or by proxy should return the reply slip by hand, by fax or by post to the H Share registrar of the Company, Tricor Investor Services Limited, for holder of H Shares, or the Company’s Board of Directors’ Office, for holder of Domestic Shares, on or before Thursday, July 16, 2015. The address of Tricor Investor Services Limited is Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong (Tel: (852) 2980 1333, Fax: (852) 2810 8185). The Company’s Board of Directors’ Office is located at No. 9 Guanggu Avenue, East Lake High-tech Development Zone, Wuhan, Hubei Province, PRC (Postal code: 430073) (Tel: (86 27) 6878 9088, Fax: (86 27) 6878 9089).

(4) Joint holder of shares

In the case of joint holders of any shares of the Company, any one of such joint holders may vote at the above Meeting, either personally or by proxy, in respect of such shares as if he were solely entitled thereto. However, if more than one of such joint holders is present at the Meeting, either personally or by proxy, the vote of the joint holder whose name stands first in the register of members of the Company and who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder(s).

(5) Voting by poll

On a poll, every member present in person or by proxy shall be entitled to one vote for each share of the Company registered in his name. The result of such poll shall be deemed to be the resolution of the Meeting at which the poll was so taken.

(6) Other issues

The EGM is expected to last for half a day. Shareholders (in person or by proxy) attending the EGM are responsible for their own transportation, catering and accommodation expenses. Shareholders or their proxies attending the EGM shall produce their identification documents.

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