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**Smart Link Better Life.**

**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)**

**RENEWAL OF THE CONTINUING CONNECTED TRANSACTIONS  
WITH THE PRYSMIAN GROUP  
SUPPLEMENTAL CHINA HUAXIN FRAMEWORK AGREEMENT,  
SUPPLEMENTAL NOKIA SHANGHAI PURCHASE  
FRAMEWORK AGREEMENT AND  
REVISION OF ANNUAL CAPS**

**SALE AND PURCHASE TRANSACTIONS WITH THE PRYSMIAN GROUP**

Reference is made to the announcement of the Company dated November 11, 2016 and the circular of the Company dated December 9, 2016 in relation to, inter alia, the continuing connected transactions between the Group on the one hand and the Prysmian Group on the other.

On November 11, 2016, the Company entered into the 2017-2019 Prysmian Sales Framework Agreement with Prysmian S.p.A. to regulate the sales transactions with the Prysmian Group. On the same day, the Company also entered into the 2017-2019 Prysmian Purchase Framework Agreement with Prysmian S.p.A. to regulate the purchase transactions with the Prysmian Group.

The 2017-2019 Prysmian Sales Framework Agreement and the 2017-2019 Prysmian Purchase Framework Agreement with the Prysmian Group expired on December 31, 2019. As the Group intends to continue carrying out the transactions contemplated under the 2017-2019 Prysmian Framework Agreements in the ordinary and usual course of business of the Group, the Board announces that on March 31, 2020:

- (1) the Company and Prysmian S.p.A. entered into the 2020-2022 Prysmian Sales Framework Agreement on the same terms as the 2017-2019 Prysmian Sales Framework Agreement for a term commencing on January 1, 2020 and expiring on December 31, 2022; and

\* For identification purposes only

- (2) the Company and Prysmian S.p.A. entered into the 2020-2022 Prysmian Purchase Framework Agreement on the same terms as the 2017-2019 Prysmian Purchase Framework Agreement for a term commencing on January 1, 2020 and expiring on December 31, 2022,

to renew the 2017-2019 Prysmian Framework Agreements upon the effective date of the 2020-2022 Prysmian Sales Framework Agreement and the 2020-2022 Prysmian Purchase Framework Agreement. The 2020-2022 Prysmian Framework Agreements shall take retrospective effect from January 1, 2020 upon the passing of the relevant resolutions for approval of the 2020-2022 Prysmian Framework Agreements at the Extraordinary General Meeting. The sale and purchase transactions with the Prysmian Group will be subject to the respective proposed annual caps for the three years ending December 31, 2020, 2021 and 2022.

## **SALES TRANSACTIONS WITH CHINA HUAXIN GROUP AND PURCHASE TRANSACTIONS WITH NOKIA SHANGHAI GROUP**

Reference is made to the announcement of the Company dated January 23, 2020 in relation to the continuing connected transactions between the Group on the one hand and China Huaxin Group and Nokia Shanghai Group, respectively, on the other. As disclosed in the announcement of the Company dated January 23, 2020, the Company entered into (1) the China Huaxin Framework Agreement with China Huaxin for a term of one year commencing from January 23, 2020 to regulate the sales and purchase transactions with China Huaxin Group and (2) the Nokia Shanghai Purchase Framework Agreement with Nokia Shanghai for a term of one year commencing from January 23, 2020, to regulate the purchase transactions with Nokia Shanghai Group.

The Company was informed by China Huaxin that it was awarded an EPC contract for communication network construction in the Philippines as the main contractor and intends to engage the Company to carry out work for certain wireless network construction portion of the project. In addition, China Huaxin has assessed the demand for optical fibres and optical fibre cables and provision of ancillary construction services from the Group under the China Huaxin Framework Agreement and has indicated to the Group that the existing annual cap for the sales of optical fibres and optical fibre cables and provision of ancillary construction services would be insufficient to satisfy the business needs of China Huaxin Group due to the increase in scope of work and the expedited timeline for the cable network construction portion of the communication network construction project undertaken by China Huaxin Group. On March 31, 2020, the Company entered into the Supplemental China Huaxin Framework Agreement with China Huaxin to (1) expand the product coverage under the China Huaxin Framework Agreement to include the supply of optical telecommunication products and provision of ancillary construction services for wireless network construction under the communication network construction project and (2) revise the annual cap for the sales transactions with China Huaxin Group for the year ending December 31, 2020 from RMB100,000,000 to RMB600,000,000.

As the relevant EPC contract has specified the use of specific type of communication equipment products produced by Nokia Shanghai Group for the wireless network construction, it is expected that the purchase transactions with Nokia Shanghai Group under the Nokia Shanghai Purchase Framework Agreement will increase. On March 31, 2020, the Company and Nokia Shanghai entered into the Supplemental Nokia Shanghai Purchase Framework Agreement to revise the annual cap for the purchase transactions with Nokia Shanghai Group for the year ending December 31, 2020 from RMB100,000,000 to RMB400,000,000.

The Supplemental China Huaxin Framework Agreement and the Supplemental Nokia Shanghai Purchase Framework Agreement shall take retrospective effect from January 23, 2020 upon the passing of the relevant resolutions for approval of the respective agreements at the Extraordinary General Meeting and shall be valid for a period of one year.

Save as disclosed in this announcement, all other terms of the China Huaxin Framework Agreement and the Nokia Shanghai Purchase Framework Agreement shall remain in full force and effect.

## **LISTING RULES IMPLICATIONS AND ANNUAL CAPS**

### **Sale and purchase transactions with the Prysmian Group**

In an announcement of the Company dated December 23, 2019, the Company also announced that on December 20, 2019, the Company and YOFC Shanghai entered into (1) the 2020-2022 YOFC Shanghai Sales Framework Agreement to renew certain sales transactions with YOFC Shanghai and (2) the 2020-2022 YOFC Shanghai Purchase Framework Agreement to renew certain purchase transactions with YOFC Shanghai.

As at the date of this announcement, Draka holds approximately 23.73% 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 wholly-owned by Prysmian S.p.A.. 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 the Prysmian Group and YOFC Shanghai are connected persons of the 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 the Prysmian Group as contemplated under the 2020-2022 Prysmian Sales Framework Agreement and the sales transactions with YOFC Shanghai as contemplated under the 2020-2022 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 proposed annual caps in respect of the sales transactions with each of the Prysmian Group and YOFC Shanghai are aggregated, and such aggregate amount is used when calculating the relevant percentage ratios under Chapter 14A of the Listing Rules.

The annual caps under the 2020-2022 Sales Framework Agreements are as follows:

Seller	Purchaser	Goods	For the year ending December 31,		
			2020	2021	2022
			<i>(RMB'000)</i>		
The Group	Prysmian Group	Optical fibre and optical fibre cables	200,000	200,000	200,000
	YOFC Shanghai	Optical fibres, optical fibre cables, raw materials, equipment and components	350,000	350,000	350,000
		<b>Sub-total</b>	<b><u>550,000</u></b>	<b><u>550,000</u></b>	<b><u>550,000</u></b>

Since the Prysmian Group and YOFC Shanghai are connected persons of the 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 the Prysmian Group as contemplated under the 2020-2022 Prysmian Purchase Framework Agreement and the purchase transactions with YOFC Shanghai as contemplated under the 2020-2022 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 proposed annual caps in respect of the purchase transactions with each of the Prysmian Group and YOFC Shanghai are aggregated, and such aggregate amount is used when calculating the relevant percentage ratios under Chapter 14A of the Listing Rules. The annual caps under the 2020-2022 Purchase Framework Agreements are as follows:

Purchaser	Seller	Goods	For the year ending December 31,		
			2020	2021	2022
			<i>(RMB'000)</i>		
The Group	Prysmian Group	Equipment parts for optical fibre production, optical fibres, optical fibre cables and optical fibre preforms	100,000	100,000	100,000
	YOFC Shanghai	Optical fibres, optical fibre cables and spare parts	450,000	450,000	450,000
		<b>Sub-total</b>	<b><u>550,000</u></b>	<b><u>550,000</u></b>	<b><u>550,000</u></b>

Since the highest relevant percentage ratio under the Listing Rules in respect of (1) the sales transactions with the Prysmian Group and YOFC Shanghai as contemplated under the 2020-2022 Sales Framework Agreements, as aggregated, and (2) the purchase transactions with the Prysmian Group and YOFC Shanghai as contemplated under the 2020-2022 Purchase Framework Agreements, as aggregated, in each case is expected to be more than 5.0% on an annual basis, the sales transactions as contemplated under the 2020-2022 Prysmian Sales Framework Agreement and the purchase transactions as contemplated under the 2020-2022 Prysmian Purchase Framework Agreement are respectively subject to the annual reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will seek approval for the sale and purchase transactions with the Prysmian Group as respectively contemplated under the 2020-2022 Prysmian Sales Framework Agreement and the 2020-2022 Prysmian Purchase Framework Agreement and the proposed annual caps applicable thereto from the Independent Shareholders at the Extraordinary General Meeting. In accordance with the Listing Rules, Draka and its associates, being connected persons of the Company, will abstain from voting on the ordinary resolutions to approve the sale and purchase transactions with the Prysmian Group as respectively contemplated under the 2020-2022 Prysmian Sales Framework Agreement and the 2020-2022 Prysmian Purchase Framework Agreement and the respective proposed annual caps at the Extraordinary General Meeting.

#### **Sales transactions with China Huaxin Group and purchase transactions with Nokia Shanghai Group**

As at the date of this announcement, China Huaxin holds approximately 23.73% of the total issued share capital of the Company and is therefore a substantial shareholder of the Company. Nokia Shanghai is owned as to 49.99% by China Huaxin and 50.01% by independent third parties. Therefore, China Huaxin and Nokia Shanghai are connected persons of the Company pursuant to Rule 14A.07 of the Listing Rules. Accordingly, the transactions between the Group on the one hand and China Huaxin Group and Nokia Shanghai Group, respectively, on the other constitute continuing connected transactions of the Company under the Listing Rules.

Since Nokia Shanghai is an associate of China Huaxin and the Group's transactions with these entities, being purchase of goods, are of a similar nature, the purchase transactions with China Huaxin Group as contemplated under the China Huaxin Framework Agreement and the purchase transactions with Nokia Shanghai Group as contemplated under the Nokia Shanghai Purchase Framework Agreement, as amended and supplemented by the Supplemental Nokia 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 proposed revised annual caps in respect of the purchase transactions with each of China Huaxin Group and Nokia Shanghai Group are aggregated, and such aggregate amount is used when calculating the relevant percentage ratios under Chapter 14A of the Listing Rules.

The annual caps for the purchase transactions with China Huaxin Group and Nokia Shanghai Group under the China Huaxin Framework Agreement and the Nokia Shanghai Purchase Framework Agreement, as amended and supplemented by the Supplemental Nokia Shanghai Purchase Framework Agreement, respectively are as follows:

<b>Purchaser</b>	<b>Seller</b>	<b>Goods</b>	<b>For the year ending December 31, 2020 (RMB'000)</b>
The Group	China Huaxin Group	Communication equipment products	200,000
The Group	Nokia Shanghai Group	Communication equipment products	400,000
		<b>Sub-total</b>	<b><u>600,000</u></b>

As the highest relevant percentage ratio under the Listing Rules in respect of (1) the sales transactions with China Huaxin Group as contemplated under the Supplemental China Huaxin Framework Agreement and (2) the purchase transactions with Nokia Shanghai Group as contemplated under the Supplemental Nokia Shanghai Purchase Framework Agreement and China Huaxin Group as contemplated under the China Huaxin Framework Agreement, as aggregated, in each case is expected to be more than 5.0% on an annual basis, the sales transactions with China Huaxin Group as contemplated under the Supplemental China Huaxin Framework Agreement and the purchase transactions with Nokia Shanghai Group as contemplated under the Supplemental Nokia Shanghai Purchase Framework Agreement are respectively subject to the annual reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will seek approval for (1) the sales transactions with China Huaxin Group as contemplated under the Supplemental China Huaxin Framework Agreement and the proposed revised annual cap applicable thereto and (2) the purchase transactions as contemplated under the Supplemental Nokia Shanghai Purchase Framework Agreement and the proposed revised annual cap applicable thereto from the Independent Shareholders at the Extraordinary General Meeting. In accordance with the Listing Rules, China Huaxin and its associates, being connected persons of the Company, will abstain from voting on the ordinary resolutions to approve the sales transactions with China Huaxin Group as contemplated under the Supplemental China Huaxin Framework Agreement and the proposed revised annual cap applicable thereto and the purchase transactions with Nokia Shanghai Group as contemplated under the Supplemental Nokia Shanghai Purchase Framework Agreement and the revised annual cap applicable thereto at the Extraordinary General Meeting.

## **GENERAL**

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in respect of (1) the sale and purchase transactions with the Prysmian Group as respectively contemplated under the 2020-2022 Prysmian Sales Framework Agreement and the 2020-2022 Prysmian Purchase Framework Agreement and the respective proposed annual caps, (2) the sales transactions with China Huaxin Group as contemplated under the Supplemental China Huaxin Framework Agreement and the proposed revised annual cap applicable thereto and (3) the purchase transactions with Nokia Shanghai Group as contemplated under the Supplemental Nokia Shanghai Purchase Framework Agreement and the proposed revised annual cap applicable thereto.

In this respect, an independent financial adviser to the Independent Board Committee and the Independent Shareholders will be appointed.

A circular containing, among others, (1) further information on the sale and purchase transactions with the Prysmian Group as respectively contemplated under the 2020-2022 Prysmian Sales Framework Agreement and the 2020-2022 Prysmian Purchase Framework Agreement and the respective proposed annual caps, the sales transactions with China Huaxin Group as contemplated under the Supplemental China Huaxin Framework Agreement and the proposed revised annual cap applicable thereto and the purchase transactions with Nokia Shanghai Group as contemplated under the Supplemental Nokia Shanghai Purchase Framework Agreement and the proposed revised annual cap applicable thereto, (2) a letter from the Independent Board Committee to the Independent Shareholders containing its recommendations, and (3) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders is expected to be dispatched to the Shareholders on or before April 23, 2020.

### **1. SALE AND PURCHASE TRANSACTIONS WITH THE PRYSMIAN GROUP**

Reference is made to the announcement of the Company dated November 11, 2016 and the circular of the Company dated December 9, 2016 in relation to, inter alia, the continuing connected transactions between the Group on the one hand and the Prysmian Group on the other.

On November 11, 2016, the Company entered into the 2017-2019 Prysmian Sales Framework Agreement with Prysmian S.p.A. to regulate the sales transactions with the Prysmian Group. On the same day, the Company also entered into the 2017-2019 Prysmian Purchase Framework Agreement with Prysmian S.p.A. to regulate the purchase transactions with the Prysmian Group.

The 2017-2019 Prysmian Sales Framework Agreement and the 2017-2019 Prysmian Purchase Framework Agreement with the Prysmian Group expired on December 31, 2019. As the Group intends to continue carrying out the transactions contemplated under the 2017-2019 Prysmian Framework Agreements in the ordinary and usual course of business of the Group, the Board announces that on March 31, 2020:

- (1) the Company and Prysmian S.p.A. entered into the 2020-2022 Prysmian Sales Framework Agreement on the same terms as the 2017-2019 Prysmian Sales Framework Agreement for a term commencing on January 1, 2020 and expiring on December 31, 2022; and
- (2) the Company and Prysmian S.p.A. entered into the 2020-2022 Prysmian Purchase Framework Agreement on the same terms as the 2017-2019 Prysmian Purchase Framework Agreement for a term commencing on January 1, 2020 and expiring on December 31, 2022,

to renew the 2017-2019 Prysmian Framework Agreements upon the effective date of the 2020-2022 Prysmian Sales Framework Agreement and the 2020-2022 Prysmian Purchase Framework Agreement. The 2020-2022 Prysmian Framework Agreements shall take retrospective effect from January 1, 2020 upon the passing of the relevant resolutions for approval of the 2020-2022 Prysmian Framework Agreements at the Extraordinary General Meeting. The sale and purchase transactions with the Prysmian Group will be subject to the respective proposed annual caps for the three years ending December 31, 2020, 2021 and 2022.

## **2. SALES TRANSACTIONS WITH THE PRYSMIAN GROUP**

### **2.1 Background**

Both the Company and the Prysmian Group manufacture and sell, optical fibres and optical fibre cables with various standard specifications in the ordinary and usual course of business. 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.



## 2.2 Summary of the terms of the 2020-2022 Prysmian Sales Framework Agreement

On November 11, 2016, the Company entered into the 2017-2019 Prysmian Sales Framework Agreement with Prysmian S.p.A. to regulate the sales transactions with the Prysmian Group. The principal terms of the 2020-2022 Prysmian Sales Framework Agreement, which shall replace the 2017-2019 Prysmian Sales Framework Agreement with retrospective effect from January 1, 2020 upon the passing of the relevant resolution at the Extraordinary General Meeting, are summarized below:

**Date** March 31, 2020

**Parties** The Company and Prysmian S.p.A.

**Duration** The 2020-2022 Prysmian Sales Framework Agreement shall take retrospective effect from January 1, 2020 upon passing of the relevant resolution for approval of the 2020-2022 Prysmian Sales Framework Agreement at the Extraordinary General Meeting and is valid until either (i) the expiry of a period of three years or (ii) the date on which Draka ceases to be a connected person of the Company, whichever comes earlier.

The parties to the agreement may negotiate to extend the agreement for a further term of three years within two months before the expiry of the three-year term of the agreement unless the agreement is terminated earlier due to Draka ceasing to be a connected person of the Company.

**Nature of Transactions** Sale of optical fibres and optical fibre cables.

To implement the sales transactions contemplated under the 2020-2022 Prysmian Sales Framework Agreement, a member of the Prysmian Group will place specific purchase orders with the Group each time it sources from the Group optical fibres and optical fibre cables. 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**”), and

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.

## 2.3 Internal control measures

The Local Tender Price and the PRC Tender Price will be fixed when the overseas telecommunications operators or the 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 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 after completion of the central bidding process conducted by the 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 president 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 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.

#### 2.4 The existing annual caps and historical amounts

The table below sets out the existing annual caps for the sales transactions contemplated under the 2017-2019 Prysmian Sales Framework Agreement during the periods indicated below:

	<b>For the year ended December 31,</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>(RMB'000)</i>		
Existing annual caps for the sales transactions with the Prysmian Group	<u>229,000</u>	<u>254,000</u>	<u>282,000</u>

The table below sets out the historical transaction amounts received by the Group from the sales transactions with the Prysmian Group under the 2017-2019 Prysmian Sales Framework Agreement during the periods indicated below:

Seller	Purchaser	Goods	<b>For the year ended December 31,</b>		
			<b>2017</b>	<b>2018</b>	<b>2019</b>
			<i>(RMB'000)</i>		
			(audited)		(unaudited)
The Group	Prysmian Group	Optical fibre and optical fibre cables	<u>91,529</u>	<u>140,970</u>	<u>123,943</u>

## 2.5 Proposed new annual caps

The Board proposes that the below proposed annual caps be set for the sales transactions with the Prysmian Group in respect of the years ending December 31, 2020, 2021 and 2022:

Seller	Purchaser	Goods	For the year ending December 31,		
			2020	2021	2022
			<i>(RMB'000)</i>		
The Group	Prysmian Group	Optical fibre and optical fibre cables	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>

In arriving at the above proposed new annual caps, the Company has taken into account the following:

- (i) the historical transaction amounts with the Prysmian Group; and
- (ii) the projected demand for optical fibre cables from Draka Fibre for the construction of 5G network in Europe. Despite the slowing down of sales of optical fibre and optical fibre cables to the Prysmian Group during 2019, optical fibre and cable are key infrastructures in telecom network, and the mass construction of 5G network is expected to bring another cycle for the optical fibre and cable industry. On June 6, 2019, the Ministry of Industry and Information Technology issued 5G licenses to four telecom operators. According to the information from GSA (Global Mobile Suppliers Association), in May 2019, 235 telecom operators in 93 countries invested in 5G, and the construction is expected to expand from trial network to scaled network. It is anticipated that the mass scale construction of 5G network may facilitate growth in demand in optical fibre and optical fibre cables.

**Shareholders should note that the above monetary annual 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 2020-2022 Prysmian Sales Framework Agreement.**

### **3. PURCHASE TRANSACTIONS WITH THE PRYSMIAN GROUP**

#### **3.1 Background**

Both the Company and the Prysmian Group manufacture and sell optical fibres and optical fibre cables with various standard specifications in the ordinary and usual course of business. 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.

In addition, the Group purchases equipment parts from certain members of the Prysmian Group from time to time for its optical fibre production equipment.

#### **3.2 Summary of the terms of the 2020-2022 Prysmian Purchase Framework Agreement**

On November 11, 2016, the Company entered into the 2017-2019 Prysmian Purchase Framework Agreement with Prysmian S.p.A. to regulate the purchase transactions with the Prysmian Group. The principal terms of the 2020-2022 Prysmian Purchase Framework Agreement, which shall replace the 2017-2019 Prysmian Purchase Framework Agreement with retrospective effect from January 1, 2020 upon the passing of the relevant resolution at the Extraordinary General Meeting, are summarized below:

<b>Date</b>	March 31, 2020
<b>Parties</b>	The Company and Prysmian S.p.A.
<b>Duration</b>	The 2020-2022 Prysmian Purchase Framework Agreement shall take retrospective effect from January 1, 2020 upon passing of the relevant resolution for approval of the 2020-2022 Prysmian Purchase Framework Agreement at the Extraordinary General Meeting and is valid until either (i) the expiry of a period of three years or (ii) the date on which Prysmian ceases to be a connected person of the Company, whichever comes earlier.

The parties to the agreement may negotiate to extend the agreement for a further term of three years within two months before the expiry of the three-year term of the agreement unless the agreement is terminated earlier due to Prysmian ceasing to be a connected person of the Company.

**Nature of Transactions** Purchases of equipment parts for optical fibre production, optical fibre preforms, optical fibres and optical fibre cables.

To implement the purchase transactions contemplated under the 2020-2022 Prysmian Purchase Framework Agreement, the Group will place specific purchase orders with the Prysmian Group each time the Group purchases optical fibre preforms, optical fibres, optical fibre cables and equipment parts from the Prysmian Group. 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 price (into China) 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**”), and

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 are fair and reasonable and comparable to those offered by unrelated third parties.

### 3.3 Internal control measures

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

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 president 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 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.

### 3.4 The existing annual caps and historical amounts

The table below sets out the existing annual caps for the purchase transactions contemplated under the 2017-2019 Prysmian Purchase Framework Agreement during the periods indicated below:

	<b>For the year ended December 31,</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>(RMB'000)</i>		
Existing annual caps for the purchase transactions with the Prysmian Group	<u>270,000</u>	<u>305,000</u>	<u>306,000</u>

The table below sets out the historical transaction amounts paid by the Company to the Prysmian Group during the periods indicated below:

Purchaser	Seller	Goods	For the year ended December 31,		
			2017	2018	2019
			<i>(RMB'000)</i>		
			(audited)		(unaudited)
The Group	Prysmian Group	Equipment parts for optical fibre production, optical fibres, optical fibre cables and optical fibre preforms	<u>62,069</u>	<u>24,056</u>	<u>12,565</u>

### 3.5 Proposed new annual caps

The Board proposes that the below proposed annual caps be set for the purchase transactions with the Prysmian Group in respect of the years ending December 31, 2020, 2021 and 2022.

Purchaser	Seller	Goods	For the year ending December 31,		
			2020	2021	2022
			<i>(RMB'000)</i>		
The Group	Prysmian Group	Equipment parts for optical fibre production, optical fibres, optical fibre cables and optical fibre preforms	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>

In arriving at the above proposed new annual caps, the Company has taken into account the following:

- (i) the historical transaction amounts with the Prysmian Group;
- (ii) the demand of the Group to purchase specific type of optical fibre and high-end multi-mode optical fibre from the Prysmian Group. Given the continuing growth in the data center market which requires application of such types of optical fibres, the Group expects an increase in purchase of such types of optical fibres from the Prysmian Group; and
- (iii) the overseas business expansion of the Group in line with its development strategy. Considering the geographical proximity, transportation costs and overseas selling prices of optical fibres, the overseas production plant of the Group expects to purchase equipment, optical fibres and optical fibre cables from the Prysmian Group from time to time. Based on the projected production capacity of the Group's production plant in South Africa, it is expected that the Group may purchase approximately 1,000,000 km optical fibres amounting to approximately RMB35 million annually from the Prysmian Group in the next three years.



## **4. SALES TRANSACTIONS WITH CHINA HUAXIN GROUP AND PURCHASE TRANSACTIONS WITH NOKIA SHANGHAI GROUP**

### **4.1 Background**

Reference is made to the announcement of the Company dated January 23, 2020 in relation to the continuing connected transactions between the Group on the one hand and China Huaxin Group and Nokia Shanghai Group, respectively, on the other. As disclosed in the announcement of the Company dated January 23, 2020, the Company entered into (1) the China Huaxin Framework Agreement with China Huaxin for a term of one year commencing from January 23, 2020 to regulate the sales and purchase transactions with China Huaxin Group and (2) the Nokia Shanghai Purchase Framework Agreement with Nokia Shanghai for a term of one year commencing from January 23, 2020, to regulate the purchase transactions with Nokia Shanghai Group.

The Company was informed by China Huaxin that it was awarded an EPC contract for communication network construction in the Philippines as the main contractor and intends to engage the Company to carry out work for certain wireless network construction portion of the project. In addition, China Huaxin has assessed the demand for optical fibres and optical fibre cables and provision of ancillary construction services from the Group under the China Huaxin Framework Agreement and has indicated to the Group that the existing annual cap for the sales of optical fibres and optical fibre cables and provision of ancillary construction services would be insufficient to satisfy the business needs of China Huaxin Group due to the increase in scope of work and the expedited timeline for the cable network construction portion of the communication network construction project undertaken by China Huaxin Group. On March 31, 2020, the Company entered into the Supplemental China Huaxin Framework Agreement with China Huaxin to (1) expand the product coverage under the China Huaxin Framework Agreement to include the supply of optical telecommunication products and provision of ancillary construction services for wireless network construction under the communication network construction project and (2) revise the annual cap for the sales transactions with China Huaxin Group for the year ending December 31, 2020.

As the relevant EPC contract has specified the use of specific type of communication equipment products produced by Nokia Shanghai Group for the wireless network construction, it is expected that the purchase transactions with Nokia Shanghai Group under the Nokia Shanghai Purchase Framework Agreement will increase. On March 31, 2020, the Company and Nokia Shanghai entered into the Supplemental Nokia Shanghai Purchase Framework Agreement to revise the annual cap for the purchase transactions with Nokia Shanghai Group for the year ending December 31, 2020.

## 4.2 Supplemental China Huaxin Framework Agreement and Revision of Annual Cap

Pursuant to the Supplemental China Huaxin Framework Agreement, China Huaxin and the Company agreed that the products to be sold by the Group to China Huaxin Group under the China Huaxin Framework Agreement shall be amended from the sale of optical fibres and optical fibre cables and provision of ancillary construction services to the sale of optical fibres and optical fibre cables, and optical telecommunication products and provision of ancillary construction services.

To implement the transactions for sales and provision of ancillary construction services contemplated under the Supplemental China Huaxin Framework Agreement, a member of China Huaxin Group will place specific purchase orders with the Group each time they source from the Group optical fibres and optical fibre cables, optical telecommunication products and ancillary construction services. A purchase order typically contains terms on product specifications, quantity, scope of services, payment date and method, delivery arrangements, liabilities and warranties.

The pricing terms of each transaction for sale of optical telecommunication products and provision of ancillary construction services shall adopt the same guidelines as those for the sale of optical fibres and optical fibre cables and ancillary construction services under the China Huaxin Framework Agreement.

The Supplemental China Huaxin Framework Agreement shall take retrospective effect from January 23, 2020 upon the passing of the relevant resolutions for approval of the Supplemental China Huaxin Framework Agreement at the Extraordinary General Meeting and shall be valid for a period of one year.

Save as disclosed in this announcement, all other terms of the China Huaxin Framework Agreement shall remain in full force and effect.

The annual cap under the China Huaxin Framework Agreement for the sale of optical fibre and optical fibre cables and provision of ancillary construction services for the year ending December 31, 2020 is RMB100,000,000. Upon the approval by the Independent Shareholders at the Extraordinary General Meeting, the annual cap for the sale of optical fibre and optical fibre cables, optical telecommunication products and provision of ancillary construction services under the China Huaxin Framework Agreement, as amended and supplemented by the Supplemental China Huaxin Framework Agreement for the year ending December 31, 2020 shall be revised to RMB600,000,000. The original annual cap for the year ending December 31, 2020 under the China Huaxin Framework Agreement has not been exceeded.

In arriving at the above revised new annual cap, the Company has taken into account the following:

- (i) the projected demand for optical telecommunication products and ancillary construction services from China Huaxin Group as indicated by China Huaxin Group to the Company with reference to the scope of work for the wireless network construction portion of the communication network construction project that was awarded to China Huaxin Group;
- (ii) the tender price for the communication network construction project awarded to China Huaxin Group, including the price of the specific type of communication equipment products produced by Nokia Shanghai Group specified to be used for construction;
- (iii) the projected increase in demand for optical fibres and optical fibre cables and ancillary construction services as indicated by China Huaxin Group to the Company with reference to the increase in scope of work and the expedited timeline for the cable network construction portion of the communication network construction project that was awarded to China Huaxin Group; and
- (iv) the price of the optical fibre and optical fibre cables this year which is expected to be of a similar level as 2019.

**Shareholders should note that the above monetary annual cap should not be construed as an assurance or forecast by the Company of the future revenues of the Group under the terms of the China Huaxin Framework Agreement, as amended and supplemented by the Supplemental China Huaxin Framework Agreement.**

### **4.3 Supplemental Nokia Shanghai Purchase Framework Agreement and Revision of Annual Cap**

On March 31, 2020, the Company entered into the Supplemental Nokia Shanghai Purchase Framework Agreement with Nokia Shanghai to revise the annual cap for the purchase transactions with Nokia Shanghai Group for the year ending December 31, 2020 from RMB100,000,000 to RMB400,000,000, upon the approval by the Independent Shareholders at the Extraordinary General Meeting. The original annual cap for the year ending December 31, 2020 under the Nokia Shanghai Purchase Framework Agreement has not been exceeded.

The Supplemental Nokia Shanghai Purchase Framework Agreement shall take retrospective effect from January 23, 2020 upon the passing of the relevant resolutions for approval of the Supplemental Nokia Shanghai Purchase Framework Agreement at the Extraordinary General Meeting and shall be valid for a period of one year.

Save as disclosed in this announcement, all other terms of the Nokia Shanghai Purchase Framework Agreement shall remain in full force and effect.

In arriving at the above revised new annual cap, the Company has taken into account the projected demand for the specific type of communication equipment products produced by Nokia Shanghai Group from China Huaxin Group as indicated by China Huaxin Group to the Company with reference to the scope of work for the wireless network construction portion of the communication network construction project that was awarded to China Huaxin Group.

Before the expiry of the above annual caps, the Company will assess the transaction amounts under the China Huaxin Framework Agreement, as amended and supplemented by the Supplemental China Huaxin Framework Agreement, and the Nokia Shanghai Purchase Framework Agreement, as amended and supplemented by the Supplemental Nokia Shanghai Purchase Framework Agreement, for the remaining term of the respective agreements exceeding December 31, 2020 and will ensure compliance with the applicable requirements under Chapter 14A of the Listing Rules.

## **5. REASONS FOR AND BENEFITS OF THE TRANSACTIONS**

### **5.1 Sale and purchase transactions with the Prysmian Group**

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. The Company has benefited from working with the Prysmian Group, providing optical fibres and optical fibre cables to the Prysmian Group, and purchasing equipment parts, optical fibres, optical fibre cables and optical fibre preforms from the Prysmian Group. The Group has established long-term relationship with the Prysmian Group. Such relationship is fair and reasonable, beneficial for the stable operation and business expansion of the Company and in the interest of the Company and the Shareholders as a whole.

### **5.2 Sales transactions with China Huaxin Group and purchase transactions with Nokia Shanghai Group**

The Group is principally engaged in the manufacture and sales of optical fibre preforms, optical fibres and optical fibre cables. China Huaxin is an investment and operations platform for foreign cooperation and technological innovation in China's information industry. It focuses on the development and construction of smart cities, communication solutions, enterprise networks and cloud computing, system integration and software services. Nokia Shanghai is a leader in the communication network industry. It provides information and communication solutions, and focuses on the development of IP networks, optical networks and communication networks. China Huaxin and Nokia Shanghai have profound experience in their respective areas of services and solid financial standing. The Directors believe that China Huaxin and Nokia Shanghai will be reliable suppliers or customer of the Group and a strategic business relationship with China Huaxin and Nokia Shanghai will allow the realization of synergies and will be beneficial for the stable operation and business expansion of the Company and in the interest of the Company and the Shareholders as a whole.

### **5.3 Directors' views**

#### ***Sale and purchase transactions with the Prysmian Group***

The Directors (excluding Mr. Philippe Claude Vanhille and Mr. Pier Francesco Facchini who have abstained from voting) are of the view that the 2020-2022 Prysmian Framework Agreements, 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 Company and the Shareholders as a whole. The Directors (excluding Mr. Philippe Claude Vanhille and Mr. Pier Francesco Facchini who have abstained from voting) are of the view that the proposed annual caps for the 2020-2022 Prysmian Framework Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Independent Board Committee will form their views in respect of the proposed annual caps for the continuing connected transactions with the Prysmian Group as contemplated under the 2020-2022 Prysmian Sales Framework Agreement and the 2020-2022 Prysmian Purchase Framework Agreement after receiving advice from the independent financial adviser.

None of the Directors has any material interest in the aforementioned continuing connected transactions with the Prysmian Group or the respective proposed annual caps or is required to abstain from voting on the Board resolution in relation to the aforementioned continuing connected transactions with the Prysmian Group and the respective proposed annual caps, except for Mr. Philippe Claude Vanhille and Mr. Pier Francesco Facchini. Mr. Philippe Claude Vanhille has been serving as the executive vice-president of telecom business of the Prysmian Group and is primarily responsible for its global telecom business; he is also an executive director of Draka and holds several positions in certain subsidiaries of Prysmian S.p.A. and a joint venture owned as to 50% by the Prysmian Group. Mr. Pier Francesco Facchini is currently an executive director and the chief financial officer of Prysmian S.p.A. and is also responsible for its IT activities; he also holds a number of positions in the subsidiaries of Prysmian S.p.A..

***Sales transactions with China Huaxin Group and purchase transactions with Nokia Shanghai Group***

The Directors (excluding Mr. Ma Jie and Mr. Guo Tao who have abstained from voting) are of the view that the aforementioned continuing connected transactions with China Huaxin Group and Nokia Shanghai Group, which 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 Company and the Shareholders as a whole. The Directors are of the view that the proposed revised annual caps for the aforementioned continuing connected transactions with China Huaxin Group under the Supplemental China Huaxin Framework Agreement and Nokia Shanghai Group under the Supplemental Nokia Shanghai Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Independent Board Committee will form their views in respect of the proposed revised annual caps for the continuing connected transactions with China Huaxin Group under the Supplemental China Huaxin Framework Agreement and Nokia Shanghai Group under the Supplemental Nokia Shanghai Purchase Agreement after receiving advice from the independent financial adviser.

None of the Directors has any material interest in the aforementioned continuing connected transactions or the respective proposed annual caps or is required to abstain from voting on the Board resolution in relation to the aforementioned continuing connected transactions with China Huaxin Group and Nokia Shanghai Group and the respective proposed revised annual caps, except for Mr. Ma Jie and Mr. Guo Tao. Mr. Ma Jie is the director and general manager of China Huaxin. He also holds a number of positions in several subsidiaries of China Huaxin. Mr. Ma Jie is also a director of Nokia Shanghai. Mr. Guo Tao is the deputy general manager and secretary to the board of China Huaxin, and holds non-senior management position in Nokia Shanghai.

## **6. INFORMATION ON THE COMPANY**

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.

## **7. INFORMATION ON DRAKA AND PRYSMIAN S.P.A., CHINA HUAXIN AND NOKIA SHANGHAI**

Draka is an indirect wholly-owned subsidiary of Prysmian S.p.A., which, together with its group companies, is a world leader in the energy and telecom cables and systems industry. As at the date of this announcement, Draka holds approximately 23.73% of the total issued share capital of the Company.

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

China Huaxin is wholly-owned by China Poly Group Corporation Limited (中國保利集團有限公司), which is a large-scale central state-owned enterprise under the supervision and management of the State-owned Assets Supervision and Administration Commission of the State Council of China and has business in multiple fields, including international trade, real estate development, light industry research and development and engineering services, arts and crafts raw materials and products management services, culture and arts business, and finance services. China Huaxin is an investment and operations platform for foreign cooperation and technological innovation in China's information industry. It focuses on the development and construction of smart cities, communication solutions, enterprise networks and cloud computing, system integration and software services. As at the date of this announcement, China Huaxin holds approximately 23.73% of the total issued share capital of the Company.

Nokia Shanghai provides information and communication solutions, and focuses on the development of IP networks, optical networks and communication networks. It is mainly engaged in the research, development, design, manufacturing, system integration and domestic and overseas sales of various information network and exchange network, mobile communication network, access network, rail traffic signal network, all kinds of information communication terminal, light and electricity transmission network, network management and applications, business and community information commutation network system, very-large-scale integration and other interest products. As at the date of this announcement, Nokia Shanghai is owned as to 49.99% by China Huaxin and 50.01% by independent third parties.

## 8. LISTING RULES IMPLICATIONS AND ANNUAL CAPS

### Sale and purchase transactions with the Prysmian Group

In an announcement of the Company dated December 23, 2019, the Company also announced that on December 20, 2019, the Company and YOFC Shanghai entered into (1) the 2020-2022 YOFC Shanghai Sales Framework Agreement to renew certain sales transactions with YOFC Shanghai and (2) the 2020-2022 YOFC Shanghai Purchase Framework Agreement to renew certain purchase transactions with YOFC Shanghai.

As at the date of this announcement, Draka holds approximately 23.73% 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 wholly-owned by Prysmian S.p.A.. 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 the Prysmian Group and YOFC Shanghai are connected persons of the 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 the Prysmian Group as contemplated under the 2020-2022 Prysmian Sales Framework Agreement and the sales transactions with YOFC Shanghai as contemplated under the 2020-2022 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 proposed annual caps in respect of the sales transactions with each of the Prysmian Group and YOFC Shanghai are aggregated, and such aggregate amount is used when calculating the relevant percentage ratios under Chapter 14A of the Listing Rules. The annual caps under the 2020-2022 Sales Framework Agreements are as follows:

Seller	Purchaser	Goods	For the year ending December 31,		
			2020	2021	2022
			<i>(RMB'000)</i>		
The Group	Prysmian Group	Optical fibre and optical fibre cables	200,000	200,000	200,000
	YOFC Shanghai	Optical fibres, optical fibre cables, raw materials, equipment and components	350,000	350,000	350,000
		<b>Sub-total</b>	<b>550,000</b>	<b>550,000</b>	<b>550,000</b>



Since the Prysmian Group and YOFC Shanghai are connected persons of the 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 the Prysmian Group as contemplated under the 2020-2022 Prysmian Purchase Framework Agreement and the purchase transactions with YOFC Shanghai as contemplated under the 2020-2022 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 proposed annual caps in respect of the purchase transactions with each of the Prysmian Group and YOFC Shanghai are aggregated, and such aggregate amount is used when calculating the relevant percentage ratios under Chapter 14A of the Listing Rules. The annual caps under the 2020-2022 Purchase Framework Agreements are as follows:

Purchaser	Seller	Goods	For the year ending December 31,		
			2020	2021	2022
			<i>(RMB'000)</i>		
The Group	Prysmian Group	Equipment parts for optical fibre production, optical fibres, optical fibre cables and optical fibre preforms	100,000	100,000	100,000
	YOFC Shanghai	Optical fibres, optical fibre cables and spare parts	450,000	450,000	450,000
		<b>Sub-total</b>	<b><u>550,000</u></b>	<b><u>550,000</u></b>	<b><u>550,000</u></b>

Since the highest relevant percentage ratio under the Listing Rules in respect of (1) the sales transactions with the Prysmian Group and YOFC Shanghai as contemplated under the 2020-2022 Sales Framework Agreements, as aggregated, and (2) the purchase transactions with the Prysmian Group and YOFC Shanghai as contemplated under the 2020-2022 Purchase Framework Agreements, as aggregated, in each case is expected to be more than 5.0% on an annual basis, the sales transactions as contemplated under the 2020-2022 Prysmian Sales Framework Agreement and the purchase transactions as contemplated under the 2020-2022 Prysmian Purchase Framework Agreement are respectively subject to the annual reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will seek approval for the sale and purchase transactions with the Prysmian Group as respectively contemplated under the 2020-2022 Prysmian Sales Framework Agreement and the 2020-2022 Prysmian Purchase Framework Agreement and the proposed annual caps applicable thereto from the Shareholders at the Extraordinary General Meeting. In accordance with the Listing Rules, Draka and its associates, being connected persons of the Company, will abstain from voting on the ordinary resolutions to approve the sale and purchase transactions with the Prysmian Group as respectively contemplated under the 2020-2022 Prysmian Sales Framework Agreement and the 2020-2022 Prysmian Purchase Framework Agreement and the respective proposed annual caps at the Extraordinary General Meeting.

## **Sales transactions with China Huaxin Group and purchase transactions with Nokia Shanghai Group**

As at the date of this announcement, China Huaxin holds approximately 23.73% of the total issued share capital of the Company and is therefore a substantial shareholder of the Company. Nokia Shanghai is owned as to 49.99% by China Huaxin and 50.01% by independent third parties. Therefore, China Huaxin and Nokia Shanghai are connected persons of the Company pursuant to Rule 14A.07 of the Listing Rules. Accordingly, the transactions between the Group on the one hand and China Huaxin Group and Nokia Shanghai Group, respectively, on the other constitute continuing connected transactions of the Company under the Listing Rules.

Since Nokia Shanghai is an associate of China Huaxin and the Group's transactions with these entities, being purchase of goods, are of a similar nature, the purchase transactions with China Huaxin Group as contemplated under the China Huaxin Framework Agreement and the purchase transactions with Nokia Shanghai Group as contemplated under the Nokia Shanghai Purchase Framework Agreement, as amended and supplemented by the Supplemental Nokia 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 proposed revised annual caps in respect of the purchase transactions with each of China Huaxin Group and Nokia Shanghai Group are aggregated, and such aggregate amount is used when calculating the relevant percentage ratios under Chapter 14A of the Listing Rules.

The annual caps for the purchase transactions with China Huaxin Group and Nokia Shanghai Group under the China Huaxin Framework Agreement and the Nokia Shanghai Purchase Framework Agreement, as amended and supplemented by the Supplemental Nokia Shanghai Purchase Framework Agreement, respectively are as follows:

<b>Purchaser</b>	<b>Seller</b>	<b>Goods</b>	<b>For the year ending December 31, 2020 (RMB'000)</b>
The Group	China Huaxin Group	Communication equipment products	200,000
The Group	Nokia Shanghai Group	Communication equipment products	400,000
		<b>Sub-total</b>	<b><u>600,000</u></b>

As the highest relevant percentage ratio under the Listing Rules in respect of (1) the sales transactions with China Huaxin Group as contemplated under the Supplemental China Huaxin Framework Agreement and (2) the purchase transactions with Nokia Shanghai Group as contemplated under the Supplemental Nokia Shanghai Purchase Framework Agreement and China Huaxin Group as contemplated under the China Huaxin Framework Agreement, as aggregated, in each case is expected to be more than 5.0% on an annual basis, the sales transactions with China Huaxin Group as contemplated under the Supplemental China Huaxin Framework Agreement and the purchase transactions with Nokia Shanghai Group as contemplated under the Supplemental Nokia Shanghai Purchase Framework Agreement are respectively subject to the annual reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will seek approval for (1) the sales transactions with China Huaxin Group as contemplated under the Supplemental China Huaxin Framework Agreement and the proposed revised annual cap applicable thereto and (2) the purchase transactions as contemplated under the Supplemental Nokia Shanghai Purchase Framework Agreement and the proposed revised annual cap applicable thereto from the Independent Shareholders at the Extraordinary General Meeting. In accordance with the Listing Rules, China Huaxin and its associates, being connected persons of the Company, will abstain from voting on the ordinary resolutions to approve the sales transactions with China Huaxin Group as contemplated under the Supplemental China Huaxin Framework Agreement and the proposed revised annual cap applicable thereto and the purchase transactions with Nokia Shanghai Group as contemplated under the Supplemental Nokia Shanghai Purchase Framework Agreement and the revised annual cap applicable thereto at the Extraordinary General Meeting.

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in respect of (1) the sale and purchase transactions with the Prysmian Group as respectively contemplated under the 2020-2022 Prysmian Sales Framework Agreement and the 2020-2022 Prysmian Purchase Framework Agreement and the respective proposed annual caps, (2) the sales transactions with China Huaxin Group as contemplated under the Supplemental China Huaxin Framework Agreement and the proposed revised annual cap applicable thereto and (3) the purchase transactions with Nokia Shanghai Group as contemplated under the Supplemental Nokia Shanghai Purchase Framework Agreement and the proposed revised annual cap applicable thereto.

In this respect, an independent financial adviser to the Independent Board Committee and the Independent Shareholders will be appointed.

A circular containing, among others, (1) further information on the sale and purchase transactions with the Prysmian Group as respectively contemplated under the 2020-2022 Prysmian Sales Framework Agreement and the 2020-2022 Prysmian Purchase Framework Agreement and the respective proposed annual caps, the sales transactions with China Huaxin Group as contemplated under the Supplemental China Huaxin Framework Agreement and the proposed revised annual cap applicable thereto and the purchase transactions with Nokia Shanghai Group as contemplated under the Supplemental Nokia Shanghai Purchase Framework Agreement and the proposed revised annual cap applicable thereto, (2) a letter from the Independent Board Committee to the Independent Shareholders containing its recommendations, and (3) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders is expected to be dispatched to the Shareholders on or before April 23, 2020.

## **DEFINITIONS**

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

“2017-2019 Prysmian Framework Agreements”	together, the 2017-2019 Prysmian Sales Framework Agreement and the 2017-2019 Prysmian Purchase Framework Agreement
“2017-2019 Prysmian Purchase Framework Agreement”	the purchase framework agreement entered into between Prysmian S.p.A. and the Company on November 11, 2016 to regulate the purchase transactions of the Group with the Prysmian Group
“2017-2019 Prysmian Sales Framework Agreement”	the sales framework agreement entered into between Prysmian S.p.A. and the Company on November 11, 2016 to regulate the sales transactions of the Group with the Prysmian Group
“2020-2022 Prysmian Framework Agreements”	together, the 2020-2022 Prysmian Sales Framework Agreement and the 2020-2022 Prysmian Purchase Framework Agreement

“2020-2022 Prysmian Purchase Framework Agreement”	the purchase framework agreement entered into between Prysmian S.p.A. and the Company on March 31, 2020 to regulate the purchase transactions of the Group with the Prysmian Group
“2020-2022 Prysmian Sales Framework Agreement”	the sales framework agreement entered into between Prysmian S.p.A. and the Company on March 31, 2020 to regulate the sales transactions of the Group with the Prysmian Group
“2020-2022 Purchase Framework Agreements”	together, the 2020-2022 Prysmian Purchase Framework Agreement and the 2020-2022 YOFC Shanghai Purchase Framework Agreement
“2020-2022 Sales Framework Agreements”	together, the 2020-2022 Prysmian Sales Framework Agreement and the 2020-2022 YOFC Shanghai Sales Framework Agreement
“2020-2022 YOFC Shanghai Purchase Framework Agreement”	the purchase framework agreement entered into between YOFC Shanghai and the Company on December 20, 2019 to regulate the purchase transactions of the Group with YOFC Shanghai
“2020-2022 YOFC Shanghai Sales Framework Agreement”	the sales framework agreement entered into between YOFC Shanghai and the Company on December 20, 2019 to regulate the sales transactions of the Group with YOFC Shanghai
“A Share(s)”	ordinary share(s) of the Company, with a nominal value of RMB1.00 each, which are subscribed for in Renminbi and listed on the Shanghai Stock Exchange (Stock Code: 601869)
“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 Telecom Technologies Co., Ltd (中國華信郵電科技有限公司), a company established in the PRC on January 21, 1993 and is wholly-owned by China Poly Group Corporation Limited (中國保利集團有限公司). It is a substantial shareholder and a connected person of the Company
“China Huaxin Framework Agreement”	the sales and purchase framework agreement entered into between China Huaxin and the Company on January 23, 2020 to regulate the sales and purchase transactions of the Group with China Huaxin Group
“China Huaxin Group”	China Huaxin and its subsidiaries

“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 A Shares and H Shares of which are listed on Shanghai Stock Exchange and the Main Board of the Stock Exchange, respectively
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Draka”	Draka Comteq B.V., a company incorporated in the Netherlands on May 14, 2004 and wholly-owned by Draka Holding B.V.. It is a substantial shareholder and a connected person of the Company
“Draka Fibre”	Draka Comteq Fibre B.V., an indirect subsidiary of Draka Holding B.V., thus a fellow subsidiary of Draka, and is therefore an associate of Draka and a connected person of the Company
“EPC”	engineering, procurement and construction
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be convened for the purpose of, among other things, considering and, if thought fit, approving (1) the sale and purchase transactions with the Prysmian Group as respectively contemplated under the 2020-2022 Prysmian Sales Framework Agreement and the 2020-2022 Prysmian Purchase Framework Agreement and the respective proposed annual caps, (2) the sales transactions with China Huaxin Group as contemplated under the Supplemental China Huaxin Framework Agreement and the proposed revised annual cap applicable thereto and (3) the purchase transactions with Nokia Shanghai Group as contemplated under the Supplemental Nokia Shanghai Purchase Framework Agreement and the proposed revised annual cap applicable thereto
“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 Share(s)”	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. Bingsheng Teng, Mr. Liu Deming, Mr. Song Wei and Dr. Wong Tin Yau, Kelvin, established to advise the Independent Shareholders on (1) the sale and purchase transactions with the Prysmian Group as respectively contemplated under the 2020-2022 Prysmian Sales Framework Agreement and the 2020-2022 Prysmian Purchase Framework Agreement and the respective proposed annual caps, (2) the sales transactions with China Huaxin Group as contemplated under the Supplemental China Huaxin Framework Agreement and the proposed revised annual cap applicable thereto and (3) the purchase transactions with Nokia Shanghai Group as contemplated under the Supplemental Nokia Shanghai Purchase Framework Agreement and the proposed revised annual cap applicable thereto
“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, or China Huaxin and its associates, as the case may be
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Nokia Shanghai”	Nokia Shanghai Bell Co., Ltd (上海諾基亞貝爾股份有限公司)
“Nokia Shanghai Group”	Nokia Shanghai and its subsidiaries
“Nokia Shanghai Purchase Framework Agreement”	the purchase framework agreement entered into between Nokia Shanghai and the Company on January 23, 2020 to regulate the purchase transactions of the Group with Nokia Shanghai Group
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prysmian Group”	Prysmian S.p.A. and its associates (for the avoidance of doubt, excluding YOFC Shanghai)
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	A 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
“Supplemental China Huaxin Framework Agreement”	the supplemental agreement to the China Huaxin Framework Agreement entered into between China Huaxin and the Company on March 31, 2020 to amend and supplement the China Huaxin Framework Agreement
“Supplemental Nokia Shanghai Purchase Framework Agreement”	the supplemental agreement to the Nokia Shanghai Purchase Framework Agreement entered into between Nokia Shanghai and the Company on March 31, 2020 to amend and supplement the Nokia Shanghai Purchase Framework Agreement
“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 on October 30, 2002. It is owned as to 75% by the Company and 25% by Draka, and a connected person of the Company

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

Wuhan, PRC, March 31, 2020

*As at the date of this announcement, the Board comprises Zhuang Dan as executive director; Ma Jie, Philippe Claude Vanhille, Guo Tao, Pier Francesco Facchini, Frank Franciscus Dorjee, Xiong Xiangfeng and Lai Zhimin, as non-executive directors; Bingsheng Teng, Liu Deming, Song Wei and Wong Tin Yau, Kelvin, as independent non-executive directors.*

\* *For identification purposes only*