
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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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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)

- (1) RENEWAL OF THE CONTINUING CONNECTED TRANSACTIONS WITH THE PRYSMIAN GROUP**
- (2) SUPPLEMENTAL CHINA HUAXIN FRAMEWORK AGREEMENT, SUPPLEMENTAL NOKIA SHANGHAI PURCHASE FRAMEWORK AGREEMENT AND REVISION OF ANNUAL CAPS**
- (3) PROPOSED MANDATE FOR ISSUE OF DEBT FINANCING INSTRUMENTS AND RELEVANT AUTHORIZATION**
- (4) REPORT OF THE BOARD FOR THE YEAR 2019**
- (5) REPORT OF THE BOARD OF SUPERVISORS FOR THE YEAR 2019**
- (6) 2019 ANNUAL REPORT**
- (7) FINAL FINANCIAL REPORT FOR THE YEAR 2019**
- (8) PROPOSED PROFIT DISTRIBUTION PLAN FOR THE YEAR 2019**
- (9) PROPOSED RE-APPOINTMENT OF INDEPENDENT AUDITORS OF THE COMPANY FOR THE YEAR 2020**
- (10) PURCHASE OF LIABILITY INSURANCE FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**
- (11) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**
- (12) PROPOSED AMENDMENTS TO THE PROCEDURAL RULES FOR THE GENERAL MEETING, THE PROCEDURAL RULES FOR THE BOARD MEETING AND THE PROCEDURAL RULES FOR THE BOARD OF SUPERVISORS MEETING AND**
- (13) NOTICE OF ANNUAL GENERAL MEETING**

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



A letter from the Board is set out on pages 7 to 38 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 39 to 40 of this circular. A letter from the Independent Financial Adviser, Sorrento Capital, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 41 to 68 of this circular.

A notice of the AGM to be held at Multi-Media Meeting Room, 201# Building, No. 9 Guangu Avenue, East Lake High-tech Development Zone, Wuhan, Hubei Province, PRC on Tuesday, June 16, 2020 at 1:30 p.m. is set out on pages 84 to 88 of this circular.

If you intend to appoint a proxy to attend the AGM, you are required to complete and return the accompanying proxy form in accordance with the instructions printed thereon. The proxy form should be returned by holder of H Shares to the Company's H share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, by hand or by post not less than 24 hours before the time appointed for holding the AGM or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the AGM or at any adjourned meeting should you so wish, but in such event the instrument appointing a proxy shall be deemed to be revoked.

References to time and dates in this circular are to Hong Kong time and dates.

* For identification purpose only

May 18, 2020

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DEFINITIONS

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

“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

DEFINITIONS

“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
“Annual General Meeting” or “AGM”	the annual 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 Tuesday, June 16, 2020 at 1:30 p.m., or any adjournment thereof
“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)
“Articles of Association”	the articles of association of the Company, as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Board of Supervisors”	the board of supervisors 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

DEFINITIONS

“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
“Continuing Connected Transactions”	the continuing connected transactions as contemplated under the 2020-2022 Prysmian Sales Framework Agreements, the 2020-2022 Prysmian Purchase Framework Agreements, the Supplemental China Huaxin Framework Agreement and the Supplemental Nokia Shanghai Purchase Framework Agreement, details of which are more particularly described in the paragraphs headed “II. Renewal of the Continuing Connected Transactions with the Prysmian Group” and “III. Sales Transactions with China Huaxin Group and Purchase Transactions with Nokia Shanghai Group” in this circular
“Director(s)”	the director(s) 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
“Group”	the Company and its subsidiaries (excluding YOFC Shanghai if and where the context requires)
“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 (stock code: 6869)

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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 the Continuing Connected Transactions, the respective proposed annual caps for the transactions under the 2020-2022 Prysmian Sales Framework Agreement and the 2020-2022 Prysmian Purchase Framework Agreement and the respective proposed revised annual caps for the transactions under the Supplemental China Huaxin Framework Agreement and the Supplemental Nokia Shanghai Purchase Framework Agreement
“Independent Financial Adviser” or “Sorrento Capital”	Sorrento Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions, the respective proposed annual caps for the transactions under the 2020-2022 Prysmian Sales Framework Agreement and the 2020-2022 Prysmian Purchase Framework Agreement and the respective proposed revised annual caps for the transactions under the Supplemental China Huaxin Framework Agreement and the Supplemental Nokia Shanghai Purchase Framework Agreement
“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
“Latest Practicable Date”	May 15, 2020, 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

DEFINITIONS

“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“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 circular, 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
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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 to it in the Listing Rules
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Supervisors”	the supervisors of the Company
“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

* For identification purpose only

DEFINITIONS

“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
“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
“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 is a connected person of the Company
“%”	per cent.

LETTER FROM THE BOARD



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)

Executive Director:

Mr. Zhuang Dan

Non-executive Directors:

Mr. Ma Jie (*Chairman*)
Mr. Philippe Claude Vanhille
Mr. Guo Tao
Mr. Pier Francesco Facchini
Mr. Frank Franciscus Dorjee
Mr. Xiong Xiangfeng
Ms. Lai Zhimin

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

Independent Non-executive Directors:

Mr. Bingsheng Teng
Mr. Liu Deming
Mr. Song Wei
Dr. Wong Tin Yau, Kelvin

May 18, 2020

To the Shareholders

Dear Sir or Madam,

- (1) RENEWAL OF THE CONTINUING CONNECTED TRANSACTIONS WITH THE PRYSMIAN GROUP
- (2) SUPPLEMENTAL CHINA HUAXIN FRAMEWORK AGREEMENT, SUPPLEMENTAL NOKIA SHANGHAI PURCHASE FRAMEWORK AGREEMENT AND REVISION OF ANNUAL CAPS
- (3) PROPOSED MANDATE FOR ISSUE OF DEBT FINANCING INSTRUMENTS AND RELEVANT AUTHORIZATION
- (4) REPORT OF THE BOARD FOR THE YEAR 2019
- (5) REPORT OF THE BOARD OF SUPERVISORS FOR THE YEAR 2019
- (6) 2019 ANNUAL REPORT
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- (8) PROPOSED PROFIT DISTRIBUTION PLAN FOR THE YEAR 2019
- (9) PROPOSED RE-APPOINTMENT OF INDEPENDENT AUDITORS OF THE COMPANY FOR THE YEAR 2020
- (10) PURCHASE OF LIABILITY INSURANCE FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT
- (11) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION
- (12) PROPOSED AMENDMENTS TO THE PROCEDURAL RULES FOR THE GENERAL MEETING, THE PROCEDURAL RULES FOR THE BOARD MEETING AND THE PROCEDURAL RULES FOR THE BOARD OF SUPERVISORS MEETING AND
- (13) NOTICE OF ANNUAL GENERAL MEETING

* For identification purpose only

LETTER FROM THE BOARD

I. INTRODUCTION

Reference is made to (1) the announcement of the Company dated March 31, 2020 in relation to, inter alia, (i) the continuing connected transactions between the Group on the one hand and the Prysmian Group, on the other; and (ii) the continuing connected transactions between the Group on the one hand and China Huaxin Group and Nokia Shanghai Group, respectively, on the other, (2) the overseas regulatory announcement of the Company dated March 27, 2020 in relation to, inter alia, the resolution in relation to the proposed mandate for issue of debt financing instruments and relevant authorization, and (3) the announcement of the Company dated April 28, 2020 in relation to the proposed amendments to the Articles of Association, the procedural rules for the general meeting, the procedural rules for the Board meeting and the procedural rules for the Board of Supervisors meeting.

The purpose of this circular is to provide you with, among other things, (i) the information of 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; (ii) a letter from Sorrento Capital (containing its advice to the Independent Board Committee and the Independent Shareholders on); (iii) recommendation of the Independent Board Committee to the Independent Shareholders; (iv) details on the proposed mandate for issue of debt financing instruments and relevant authorization; (v) details on the report of the Board for the year 2019; (vi) details on the report of the Board of Supervisors for the year 2019; (vii) details on the 2019 annual report of the Company; (viii) details on the final financial report for the year 2019; (ix) details on the proposed profit distribution plan for the year 2019; (x) details on the re-appointment of KPMG Huazhen LLP as the independent auditors of the Company for the year 2020; (xi) details on the purchase of liability insurance for the Directors, Supervisors and senior management; (xii) details on the proposed amendments to the Articles of Association, the procedural rules for the general meeting, the procedural rules for the Board meeting and the procedural rules for the Board of Supervisors meeting; and (xiii) the notice of AGM.

II. RENEWAL OF THE CONTINUING CONNECTED TRANSACTIONS WITH THE PRYSMIAN GROUP

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.

LETTER FROM THE BOARD

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 Annual 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

A. 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

LETTER FROM THE BOARD

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.

B. 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 Annual General Meeting, are summarized below:

Date	March 31, 2020
Parties	The Company and Prysmian S.p.A.
Duration	<p>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 Annual 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.</p> <p>The parties to the agreement may negotiate to enter into a new 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	Sale of optical fibres and optical fibre cables.

LETTER FROM THE BOARD

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. The Group will take into account its costs together with a profit margin determined based on the average gross profit margin of optical fibres and optical fibre cables provided by the Group in the past five years. For reference, the average gross profit margin for the past five years is approximately 24.64%.

LETTER FROM THE BOARD

C. 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, which is updated by the General Administration of Customs of the PRC on a monthly basis. The price will be determined within the range representing the highest and the lowest of the Local Tender Price, the PRC Tender Price and the latest Export Price, if available.

For export sales, the actual contract price will be determined in accordance with 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 in accordance with 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.

LETTER FROM THE BOARD

D. 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:

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

E. 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:

				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>	

LETTER FROM THE BOARD

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. According to the information from GSA (Global Mobile Suppliers Association), in May 2019, 235 telecom operators in 93 countries invested in 5G, and on June 6, 2019, the Ministry of Industry and Information Technology issued 5G licenses to four domestic telecom operators, thus the 5G 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

A. 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.

LETTER FROM THE BOARD

B. 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 Annual General Meeting, are summarized below:

Date	March 31, 2020
Parties	The Company and Prysmian S.p.A.
Duration	<p>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 Annual 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.</p> <p>The parties to the agreement may negotiate to enter into a new 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.</p>
Nature of Transactions	Purchases of equipment parts for optical fibre production, optical fibre preforms, optical fibres and optical fibre cables.

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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. The Group will review whether the suppliers have the relevant capability and capacity to satisfy the Group’s requirement and will select suppliers based on the price, reputation, quality of products, production capacity and capability to deliver the products required on a timely basis.

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C. 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.

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. The price will be determined within the range representing the highest and the lowest of the Import Price and the Purchase PRC Tender Price, if available. For import purchases, the price will be determined in accordance with the Import Price. 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 in accordance with 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.

D. 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:

	For the year ended December 31,		
	2017	2018	2019
	<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>

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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>		
			<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
The Group	Prysmian Group	Equipment parts for optical fibre production, optical fibres, optical fibre cables and optical fibre preforms	62,069	24,056	12,565
			<u> </u>	<u> </u>	<u> </u>

E. 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	100,000	100,000	100,000
			<u> </u>	<u> </u>	<u> </u>

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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.

III. SALES TRANSACTIONS WITH CHINA HUAXIN GROUP AND PURCHASE TRANSACTIONS WITH NOKIA SHANGHAI GROUP

A. 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

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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.

B. 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, 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 Annual General Meeting and shall be valid for a period of one year.

Save as disclosed in this circular, all other terms of the China Huaxin Framework Agreement as disclosed in the announcement of the Company dated January 23, 2020 shall remain in full force and effect.

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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 Annual 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.

C. 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 Annual General Meeting. The original annual cap for the year ending December 31, 2020 under the Nokia Shanghai Purchase Framework Agreement has not been exceeded.

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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 Annual General Meeting and shall be valid for a period of one year.

Save as disclosed in this circular, all other terms of the Nokia Shanghai Purchase Framework Agreement as disclosed in the announcement of the Company dated January 23, 2020 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.

IV. REASONS FOR AND BENEFITS OF THE TRANSACTIONS

A. 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.

The Board has passed resolutions to approve, among others, the continuing connected transactions with the Prysmian Group under the 2020-2022 Prysmian Framework Agreements and the respective proposed annual caps on March 27, 2020. 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

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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..

B. 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.

The Board has passed resolutions to approve, among others, the continuing connected transactions with China Huaxin Group as contemplated under the Supplemental China Huaxin Framework Agreement and the proposed revised annual cap applicable thereto, and the continuing connected transactions with Nokia Shanghai Group as contemplated under the Supplemental Nokia Shanghai Purchase Framework Agreement and the proposed revised annual cap applicable thereto on March 27, 2020. 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.

V. 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.

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VI. INFORMATION ON DRAKA, 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 Latest Practicable Date, 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 Latest Practicable Date, 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 Latest Practicable Date, Nokia Shanghai is owned as to 49.99% by China Huaxin and 50.01% by independent third parties.

VII. LISTING RULES IMPLICATIONS AND ANNUAL CAPS

A. 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.

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As at the Latest Practicable Date, 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
		Sub-total	<u>550,000</u>	<u>550,000</u>	<u>550,000</u>

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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
		Sub-total	<u>550,000</u>	<u>550,000</u>	<u>550,000</u>

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.

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B. Sales transactions with China Huaxin Group and purchase transactions with Nokia Shanghai Group

As at the Latest Practicable Date, 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:

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

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

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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.

VIII. PROPOSED MANDATE FOR ISSUE OF DEBT FINANCING INSTRUMENTS AND RELEVANT AUTHORIZATION

Following the outbreak of the coronavirus disease 2019 (COVID-19), the PRC government has announced multiple financial policies to stabilize the economy. Since February 2020, the National Development and Reform Commission, the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the National Association of Financial Market Institution Investors announced COVID-19 prevention and control bond policies that include green channel to support domestic listed companies affected by COVID-19. In order to promote the sustainable development of the Company, optimize its debt structure and expand its financing channels, the Board has resolved to obtain a mandate to issue debt financing instruments, details of which are as follows:

A. Issuance plan of debt financing instruments

1. The amount of debt financing instrument issuance would not exceed RMB3 billion, and the term would not exceed 10 years. Pursuant to relevant PRC laws and regulations, the funds raised would be used for the Company's operation, in adjustments of debt structure, to increase liquidity, for investment projects and the prevention and control of COVID-19.
2. The debt financing instruments to be issued include, but not limited to, corporate bond, corporate debt, medium-term note, short-term commercial paper, super & short-term commercial paper, and other debt financing instrument in inter-bank bond market. The issuance may include single term and type of debt financing instrument or may be a combination of multiple term and types of debt financing instruments. The exact terms and types of debt financing instruments would be determined by the Board or the authorized person by the Board according to relevant regulations and the market conditions.
3. The issuance of debt financing instruments is subject to approval, filing or registration from relevant regulators. The issuance can be in single or multiple tranches, and can be offered to public or non-public.
4. The effective period of the resolution to issue debt financing instruments would be 24 months from the approval date of the relevant resolution at the AGM.

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B. Authorization of issuing debt financing instruments

It was proposed that the Shareholders shall approve the proposed mandate to issue debt financing instruments and to authorize the Board or any person authorized by the Board to handle the particulars of the issue of the debt financing instruments, details of which are as follows:

1. To authorize the Board to determine all relevant issues in the issuance of debt financing instruments according to the operation needs and market conditions, including but not limited to:
 - (i) to determine the entity, the types of the instruments, the scale, the issuance methods, the issuance market, the timing, the terms, the amount of any issuance for each tranche, the use of the funds raised, the issue price, the interest rate, the subscribers, the underwriting details, the purpose of issuance, guarantee, and other relevant issues for the issuance.
 - (ii) to determine the underwriting institution, credit rating agency, auditor, law firm and other professional agencies and persons to process the issuance.
 - (iii) to implement relevant application procedures required by regulators such as approval, registration or filing.
 - (iv) to sign, execute and amend the agreements, contracts and other relevant documents relevant to the issuance of debt financing instruments.
 - (v) to select debt financing instrument trustee and set up rules of bondholder's meeting (if applicable).
 - (vi) should the regulatory policies or market conditions change, to adjust the issuance plan and other relevant issues pursuant to regulators' requirements and market conditions and under the authorization from the AGM, unless the adjustment is required to be reviewed and approved by another general meeting according to laws, regulations or the Articles.
 - (vii) to handle relevant issues in the publication or listing of debt financing instruments.
 - (viii) to handle any other relevant issues in the issuance of debt financing instruments.

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2. Following the approval of the mandate to issue debt financing instruments at the AGM, the Board shall nominate the chairman as the authorized person for the issuance of debt financing instruments. The chairman would represent the Company to decide and handle issues relating to the issuance of debt financing instruments pursuant to the mandate as approved at the AGM and the authorization of the Board.
3. The chairman is authorized by the Board to make decisions on the issuance of debt financing instructions which do not exceed RMB500 million for a single issuance and do not exceed the cumulative amount of RMB1.5 billion for the total issuance, following the completion of the regulatory approval, registration or filing process. Issuance beyond the above scope shall be approved by the Board.
4. The authorization would have an effective period of 24 months from the date of passing of the relevant resolution at the AGM. Should the Board or the authorized person decided an issuance or partial issuance within the effective period but relevant approval, filing or registration processes were not completed within such period, or the abovementioned processes were completed but the issuance was not completed within such period, the authorization to the Board or authorized person would be extended until the completion of such issuance.

This proposal has been approved by the Board, and shall be submitted to the AGM for consideration and approval by way of a special resolution pursuant to Articles.

IX. REPORT OF THE BOARD FOR THE YEAR 2019

An ordinary resolution will be proposed at the AGM to consider and approve the report of the Board for the year 2019, the text of which has been set out in the 2019 annual report of the Company published on April 28, 2020.

X. REPORT OF THE BOARD OF SUPERVISORS FOR THE YEAR 2019

An ordinary resolution will be proposed at the AGM to consider and approve the report of the Board of Supervisors for the year 2019, the text of which has been set out in the 2019 annual report of the Company published on April 28, 2020.

XI. 2019 ANNUAL REPORT

An ordinary resolution will be proposed at the AGM to consider and approve the 2019 annual report of the Company. The audited financial statements were prepared in accordance with China Accounting Standards for Business Enterprises and the full text of the independent auditors' report for the year 2019 has been set out in the 2019 annual report of the Company published on April 28, 2020.

LETTER FROM THE BOARD

XII. FINAL FINANCIAL REPORT FOR THE YEAR 2019

According to the consolidated financial statements of the Company audited by KPMG Huazhen LLP, the key highlights of the final financial report for 2019 of the Company are as follows:

- (i) In 2019, the revenue of the Company was RMB7,769.2 million, the profit for the year attributable to equity shareholders of the Company was RMB801.2 million, and the earnings per share was RMB1.06.
- (ii) As at 31 December 2019, the total assets of the Company was RMB13,775.9 million, the total liabilities was RMB4,833.8 million, the total equity attributable to equity shareholders of the Company was RMB8,788.2 million, and the total liabilities was 35.1% of total assets.
- (iii) The net cash generated from operating activities was RMB842.7 million, the net cash generated from investing activities was RMB-667.1 million, and the net cash generated from financing activities was RMB-720.9 million.

XIII. PROPOSED PROFIT DISTRIBUTION PLAN FOR THE YEAR 2019

Based on the total share capital of 757,905,108 Shares issued and listed as of December 31, 2019, the Board proposed to distribute a dividend of RMB3.18 per 10 Shares (inclusive of tax), with the total dividends amounting to approximately RMB241,013,824 (inclusive of tax). The expected payment date is on or before August 31, 2020. The proposed dividend is subject to approval by Shareholders at the AGM to be held by the Company on June 16, 2020. Should the proposal be approved, the dividend for holders of A Shares, including holders of A Shares through the Northbound Trading Link of the Shanghai-Hong Kong Stock Connect (hereinafter referred to as the “**Northbound Shareholders**”) and holders of H Shares through the Southbound Trading Link (including Shanghai and Shenzhen markets, hereinafter referred to as the “**Southbound Shareholders**”) will be declared and paid in RMB. Dividends to holders of H Shares, except the Southbound Shareholders, are paid in Hong Kong dollars. The exchange rate will be calculated as per the average exchange rate for converting RMB into Hong Kong dollars published by the People’s Bank of China during the five business days prior to the AGM.

With respect to the Southbound Shareholders, according to the relevant requirements of China Securities Depository and Clearing Corporation Limited, China Securities Depository and Clearing Corporation Limited (“**CSDC**”) Shanghai Branch and Shenzhen Branch shall receive cash dividends distributed by the Company as the nominee of the Southbound Shareholders for Shanghai market and Shenzhen market, respectively and distribute such cash dividends to the relevant Southbound Shareholders through its depository and clearing system.

In accordance with the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法》) and its implementation rules effective on January 1, 2008, where a PRC domestic enterprise distributes dividends for financial periods beginning from January 1, 2008 to non-resident enterprise shareholders, it is required to withhold 10% enterprise income tax for such non-resident enterprise shareholders. Therefore, as a PRC domestic enterprise, the Company will, after withholding 10% of the final dividend as enterprise income tax, distribute the final dividend to non-resident enterprise shareholders, i.e. any shareholders who hold the Company’s shares in the name of non-individual shareholders, including but not limited to HKSCC Nominees Limited, other nominees, trustees, or holders of H Shares registered in the name of other organizations and groups.

LETTER FROM THE BOARD

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》), the Implementation Regulations of the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法實施條例》), the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Guo Shui Fa [2015] No. 60) (《國家稅務總局關於發佈〈非居民納稅人享受稅收協定待遇管理辦法〉的公告》(國稅發[2015]60號)) (the “Tax Treaties Notice”), the Notice of the State Administration of Taxation on the Questions Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 45 (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)), other relevant laws and regulations and other regulatory documents, the Company shall, as a withholding agent, withhold and pay individual income tax for the individual holders of H Shares in respect of the dividend to be distributed to them. However, the individual holders of H Shares may be entitled to certain tax preferential treatments pursuant to the tax treaties between the PRC and the countries (regions) in which the individual holders of H Shares are domiciled and the tax arrangements between Mainland China, Hong Kong or Macau. For individual holders of H Shares in general, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the individual holders of H Shares in the distribution of the dividend. However, the tax rates applicable to individual holders of H Shares overseas may vary depending on the tax treaties between the PRC and the countries (regions) in which the individual holders of H Shares are domiciled, and the Company will withhold and pay individual income tax on behalf of the individual holders of H Shares in the distribution of the dividend accordingly.

For Northbound Shareholders, with regard to the dividends obtained by the investors (including enterprises and individuals) from investment in the A Shares of the Company listed on Shanghai Stock Exchange through the Hong Kong Stock Exchange, the Company will withhold income tax at the rate of 10%, and file tax withholding returns with the competent tax authority. Where there is any tax resident of a foreign country out of the investors through the Northbound Trading Link and the rate of income tax on dividends is less than 10%, as provided for in the tax treaty between the country and the PRC, the enterprise or individual may personally, or entrust a withholding agent to, file an application for the tax treatment under the tax treaty with the competent tax authority of the Company. Upon review, the competent tax authority will refund tax based on the difference between the amount of tax having been collected and the amount of tax payable calculated at the tax rate as set out in the tax treaty.

For Southbound Shareholders, in accordance with the Notice of Ministry of Finance, the State Administration of Taxation, and the China Securities Regulatory Commission on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (Cai Shui [2014] No.81) (《財政部、國家稅務總局、證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)), effective from November 17, 2014, and the Notice of the Ministry of Finance, the State Administration of Taxation, and the China Securities Regulatory Commission on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (Cai Shui [2016] No. 127) (《財政部、國家稅務總局、證監會關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127

LETTER FROM THE BOARD

號)), effective from December 5, 2016, with regard to the dividends obtained by individual mainland investors from investment in the H Shares of the Company listed on the Hong Kong Stock Exchange through the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect, the Company will withhold their individual income tax at the rate of 20% in accordance with the register of individual mainland investors provided by CSDC. As to the withholding tax having been paid abroad, an individual investor may file an application for tax credit with the competent tax authority of CSDC with an effective credit document. With respect to the dividends obtained by mainland securities investment funds from investment in the H Shares of the Company listed on the Hong Kong Stock Exchange through the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect, the Company will withhold their income tax with reference to the provisions concerning the collection of tax on individual investors. The Company will not withhold income tax on dividends obtained by mainland enterprise investors, and mainland enterprise investors shall file their income tax returns and pay tax themselves instead.

Holders of H Shares are advised to consult their own tax advisers about the tax effect in China, Hong Kong and/or other countries (regions) in respect of owning and disposing of H Shares if they are in any doubt as to the above arrangements.

XIV. PROPOSED RE-APPOINTMENT OF INDEPENDENT AUDITORS OF THE COMPANY FOR THE YEAR 2020

An ordinary resolution will be proposed at the AGM to consider and approve the proposed re-appointment of KPMG Huazhen LLP as the independent auditors of the Company for the year 2020, which will hold office until the conclusion of the next annual general meeting of the Company.

XV. PURCHASE OF LIABILITY INSURANCE FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Since November 2014, the Company has purchased relevant liability insurance for Directors, Supervisors and senior management of the Company. The term of the current insurance will expire on June 30, 2020. The Board has resolved to propose that the Company shall continue to purchase liability insurance for Directors, Supervisors and senior management of the Company. The main terms for the liability insurance are as follows:

- (i) Policyholder: Yangtze Optical Fibre and Cable Joint Stock Limited Company* (長飛光纖光纜股份有限公司)
- (ii) Insured persons: Directors, Supervisors and senior management of the Company
- (iii) Amount insured: USD50,000,000
- (iv) Term: 1 year

LETTER FROM THE BOARD

The Board intends to propose at the AGM to authorize the chairman of the Company within the above authority to handle any matters in relation to the purchase of liability insurance for Directors, Supervisors and senior management (including but not limited to, determining the scope of the insured, the insurance company, the amount insured, the premium and other insurance terms; selecting and appointing an insurance brokerage company or other intermediary agencies; executing relevant legal documents and dealing with other insurance related issues, etc.) and renew the liability insurance contract or enter into a new liability insurance contract upon or before the expiration of such liability insurance for Directors, Supervisors and senior management of the Company.

XVI. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Pursuant to the Official Reply of the State Council on the Adjustment of the Provisions Applicable to the Notice Period of Convening General Meetings of Shareholders and Other Matters Applicable to the Companies Listed Abroad (Guo Han [2019] No.97) (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》(國函[2019] 97號)), the requirements on the notice period of the general meeting, shareholders' right of motion and convening procedures of joint stock limited companies incorporated in China and listed overseas shall be unified and governed by the relevant requirements under the Company Law of the People's Republic of China, and the requirements of Articles 20 to 22 of the Special Regulations of the State Council on Overseas Offering and Listing of Shares by Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》) will no longer be applicable. Considering the relevant requirements of the regulatory authorities and the actual operating needs of the Company, the Board proposed to amend certain articles of the Articles of Association. The details of the proposed amendments to the Articles of Association are set out in Appendix II to this circular. The proposed amendments to the Articles of Association are subject to the approval of the shareholders of the Company by way of a special resolution at the AGM and will come into effect after obtaining all necessary approvals, authorizations or registration (if applicable) from or filing with the relevant government or regulatory authorities.

XVII. PROPOSED AMENDMENTS TO THE PROCEDURAL RULES FOR THE GENERAL MEETING, THE PROCEDURAL RULES FOR THE BOARD MEETING AND THE PROCEDURAL RULES FOR THE BOARD OF SUPERVISORS MEETING

In accordance with the actual operating needs of the Company and pursuant to the requirements of relevant laws and regulations, the Board proposes to amend certain articles in the procedural rules for the general meeting of the Company (the “**Procedural Rules for the General Meeting**”), the procedural rules for the Board meeting (the “**Procedural Rules for the Board Meeting**”) and the procedural rules for the board of supervisors meeting (the “**Procedural Rules for the Board of Supervisors Meeting**”). The details of the proposed amendments to the Procedural Rules for the General Meeting, the Procedural Rules for the Board Meeting and the Procedural Rules for the Board of Supervisors Meeting are set out in Appendix III, IV and V to this circular, respectively. The proposed amendments to the Procedural Rules for the General Meeting, the Procedural Rules for the Board Meeting and the Procedural Rules for the Board of Supervisors Meeting are subject to approval of the shareholders of the Company by way of special resolutions at the AGM.

LETTER FROM THE BOARD

XVIII. AGM

As disclosed in the announcement of the Company dated March 31, 2020, (i) the sale and purchase transactions with the Prysmian Group as respectively contemplated under the 2020-2022 Sales Framework Agreements and the 2020-2022 Purchase Framework Agreements and the respective proposed annual caps; (ii) 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 (iii) 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, are subject to the approval of the Independent Shareholders at an extraordinary general meeting of the Company. Given the close proximity of the timing for convening the AGM, the above resolutions will be put forward to the approval of the Independent Shareholders at the AGM. A notice of the AGM 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 Tuesday, June 16, 2020 at 1:30 p.m. is set out on pages 84 to 88 of this circular.

A proxy form for use at the AGM is enclosed with this circular. If you intend to appoint a proxy to attend the AGM, you are required to complete and return the accompanying proxy form in accordance with the instructions printed thereon. To be valid, the proxy form together with the power of attorney or other authorization document (if any) should be returned by holder of H Shares to the Company's H share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, by hand or by post not less than 24 hours before the time appointed for holding the AGM or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the AGM or at any adjourned meeting should you so wish, but in such event the instrument appointing a proxy shall be deemed to be revoked.

XIX. CLOSURE OF REGISTER OF MEMBERS

In order to determine the holders of H Shares who are qualified to attend the AGM and entitled to the proposed dividend (subject to approval of the Shareholders), the Company will suspend registration of H Share transfer on the following dates:

so as to determine the holders of H Shares who are qualified to attend and vote at the AGM:

Latest time for lodging transfers of H Shares	4:30 p.m., Wednesday, June 10, 2020
Closure date of H Share register of members	from Thursday, June 11, 2020 to Tuesday, June 16, 2020 (both days inclusive)
Record Date	Thursday, June 11, 2020
Latest time for return of proxy form of the AGM	1:30 p.m., Monday, June 15, 2020
Date of the AGM	Tuesday, June 16, 2020

so as to determine the holders of H Shares who are entitled to the proposed dividend:

Latest time for lodging transfers of H Shares	4:30 p.m., Friday, June 19, 2020
Closure date of H Share register of members	from Saturday, June 20, 2020 to Friday, June 26, 2020 (both days inclusive)
Dividend Entitlement Date	Friday, June 26, 2020

LETTER FROM THE BOARD

In order for the holders of H Shares to be qualified to attend and vote at the AGM and be entitled to the proposed dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's H Share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration before the aforesaid deadline for lodging the transfer documents (for holders of H Shares).

Holders of H Shares whose names appear on the register of members of the Company on Friday, June 26, 2020 (the "**Dividend Entitlement Date**") are entitled to the proposed dividend of the Company (subject to approval of the Shareholders).

Shareholders of the Company should read this paragraph carefully. Should there be anyone who intends to change his/her identity as a Shareholder, please seek advice on the relevant procedures from the nominees or trustees. The Company is neither obligated nor responsible for ascertaining the identities of the Shareholders. In addition, the Company will withhold corporate income tax and individual income tax in strict compliance with the relevant laws or regulations and the registered information on the H Share register of members as at the Dividend Entitlement Date, and will not entertain or assume responsibility for any requests or claims in relation to any delay or inaccuracies in ascertaining the identities of the Shareholders or any disputes over the arrangements for withholding the corporate income tax and individual income tax.

XX. VOTING BY WAY OF POLL

Under the Listing Rules, (i) the sale and purchase transactions with the Prysmian Group as respectively contemplated under the 2020-2022 Sales Framework Agreements and the 2020-2022 Purchase Framework Agreements and the respective proposed annual caps, (ii) 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 (iii) 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, are subject to the approval of the Independent Shareholders.

Any Shareholder with a material interest in the Continuing Connected Transactions and its associates, shall abstain from voting on the resolutions approving the Continuing Connected Transactions, the respective proposed annual caps for the transactions under the 2020-2022 Prysmian Sales Framework Agreement and the 2020-2022 Prysmian Purchase Framework Agreement and the respective proposed revised annual caps for the transactions under the Supplemental China Huaxin Framework Agreement and the Supplemental Nokia Shanghai Purchase Framework Agreement. Accordingly, Draka and its associates will be required to 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 Agreements and the 2020-2022 Prysmian Purchase Framework Agreements and the respective proposed annual caps at the AGM. China Huaxin and its associates will be required to 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 AGM.

Pursuant to Rule 13.39(4) of the Listing Rules, all votes at the AGM 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.

LETTER FROM THE BOARD

XXI. RECOMMENDATION

Sorrento Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions, the respective proposed annual caps for the transactions under the 2020-2022 Prysmian Sales Framework Agreement and the 2020-2022 Prysmian Purchase Framework Agreement and the respective proposed revised annual caps for the transactions under the Supplemental China Huaxin Framework Agreement and the Supplemental Nokia Shanghai Purchase Framework Agreement. Sorrento Capital considers that the Continuing Connected Transactions have been 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, and that the respective proposed annual caps for the transactions under the 2020-2022 Prysmian Sales Framework Agreement and the 2020-2022 Prysmian Purchase Framework Agreement, and the respective proposed revised annual caps for the transactions under the Supplemental China Huaxin Framework Agreement and the Supplemental Nokia Shanghai Purchase Framework Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, Sorrento Capital advises the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favor of the ordinary resolutions to be proposed at the AGM to approve the Continuing Connected Transactions, the respective proposed annual caps for the transactions under the 2020-2022 Prysmian Sales Framework Agreement and the 2020-2022 Prysmian Purchase Framework Agreement and the respective proposed revised annual caps for the transactions under the Supplemental China Huaxin Framework Agreement and the Supplemental Nokia Shanghai Purchase Framework Agreement. The text of the letter from Sorrento 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 41 to 68 of this circular.

The Independent Board Committee, having taken into account the advice of Sorrento Capital, considers that the Continuing Connected Transactions have been entered into in the ordinary and usual course of business of the Group, are on normal commercial terms, 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, and that the respective proposed annual caps for the transactions under the 2020-2022 Prysmian Sales Framework Agreement and the 2020-2022 Prysmian Purchase Framework Agreement, and the respective proposed revised annual caps for the transactions under the Supplemental China Huaxin Framework Agreement and the Supplemental Nokia Shanghai Purchase Framework Agreement 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 favor of the ordinary resolutions to be proposed at the AGM to approve the Continuing Connected Transactions, the respective proposed annual caps for the transactions under the 2020-2022 Prysmian Sales Framework Agreement and the 2020-2022 Prysmian Purchase Framework Agreement and the respective proposed revised annual caps for the transactions under the Supplemental China Huaxin Framework Agreement and the Supplemental Nokia Shanghai Purchase Framework Agreement. The text of the letter from the Independent Board Committee is set out on pages 39 to 40 of this circular.

LETTER FROM THE BOARD

The Directors (excluding Mr. Philippe Claude Vanhille and Mr. Pier Francesco Facchini who have abstained from voting) are of the view that aforementioned continuing connected transactions under 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 the terms of the 2020-2022 Prysmian Framework Agreements as well as the respective proposed annual caps for the 2020-2022 Prysmian Framework Agreements for the three years ending December 31, 2020, 2021 and 2022 are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and accordingly recommend the Shareholders to vote in favor of the relevant ordinary resolutions to be proposed at the AGM.

The Directors (excluding Mr. Ma Jie and Mr. Guo Tao) are of the view that the aforementioned continuing connected transactions under the Supplemental China Huaxin Framework Agreement and the Supplemental Nokia Shanghai Purchase Framework Agreement, 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 are of the view that the respective proposed revised annual caps for the aforementioned continuing connected transactions under the Supplemental China Huaxin Framework Agreement and Supplemental Nokia Shanghai Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole and accordingly recommend the Shareholders to vote in favor of the relevant ordinary resolutions to be proposed at the AGM.

The Board believes that the aforementioned proposed issue of the debt financing instruments will promote the sustainable development of the Company, optimize its debt structure, expand its financing channels and reduce its financing costs. The Board is of the view that the aforementioned proposed mandate to issue debt financing instruments and the other proposals proposed are in the interest of the Company and Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favor of the relevant resolution to be proposed at the AGM.

XXII. FURTHER INFORMATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on pages 39 to 40 of this circular, and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions and the proposed annual caps set out on pages 41 to 68 of this circular.

Your attention is also drawn to the additional information set out in the appendices 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

Ma Jie

Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

May 18, 2020

To the Independent Shareholders

Dear Sir or Madam,

We refer to the circular of the Company to the Shareholders dated May 18, 2020 (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 Continuing Connected Transactions are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole and whether the respective proposed annual caps for the transactions under the 2020-2022 Prysmian Sales Framework Agreement and the 2020-2022 Prysmian Purchase Framework Agreement, and the respective proposed revised annual caps for the transactions under the Supplemental China Huaxin Framework Agreement and the Supplemental Nokia Shanghai Purchase Framework are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

Sorrento Capital has been appointed by the Company as the Independent Financial Adviser to advise us and the Independent Shareholders in respect of the Continuing Connected Transactions and the respective proposed annual caps for the transactions under the 2020-2022 Prysmian Sales Framework Agreement and the 2020-2022 Prysmian Purchase Framework Agreement, and the respective proposed revised annual caps for the transactions under the Supplemental China Huaxin Framework Agreement and the Supplemental Nokia Shanghai Purchase Framework.

We wish to draw your attention to the letter from the Board set out on pages 7 to 38 of the Circular which contains, among others, information on the Continuing Connected Transactions and the proposed annual caps for the transactions under the 2020-2022 Prysmian Sales Framework Agreement and the 2020-2022 Prysmian Purchase Framework Agreement, and the respective proposed revised annual caps for the transactions under the Supplemental China Huaxin Framework Agreement and the Supplemental Nokia Shanghai Purchase Framework, as well as the letter from the Independent Financial Adviser set out on pages 41 to 68 of the Circular which contains its advice and recommendations in respect of the

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Continuing Connected Transactions and the respective proposed annual caps for the transactions under the 2020-2022 Prysmian Sales Framework Agreement and the 2020-2022 Prysmian Purchase Framework Agreement, and the respective proposed revised annual caps for the transactions under the Supplemental China Huaxin Framework Agreement and the Supplemental Nokia Shanghai Purchase Framework and the principal factors and reasons taken into consideration for its advice and recommendations.

Having taken into account the advice of the Independent Financial Adviser, we consider that the Continuing Connected Transactions have been entered into in the ordinary and usual course of business of the Group, are on normal commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole, and that the respective proposed annual caps for the transactions under the 2020-2022 Prysmian Sales Framework Agreement and the 2020-2022 Prysmian Purchase Framework Agreement, and the respective proposed revised annual caps for the transactions under the Supplemental China Huaxin Framework Agreement and the Supplemental Nokia Shanghai Purchase Framework 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 resolutions to be proposed at the AGM.

Yours faithfully,
Independent Board Committee

Mr. Bingsheng Teng	Mr. Liu Deming	Mr. Song Wei	Dr. Wong Tin Yau, Kelvin
<i>Independent</i>	<i>Independent</i>	<i>Independent</i>	<i>Independent</i>
<i>non-executive</i>	<i>non-executive</i>	<i>non-executive</i>	<i>non-executive</i>
<i>Director</i>	<i>Director</i>	<i>Director</i>	<i>Director</i>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from Sorrento Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the sale and purchase transactions with the Prysmian Group 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, for the purpose of inclusion in this circular.



11/F,
The Wellington,
198 Wellington Street,
Central,
Hong Kong

May 18, 2020

*The Independent Board Committee and the Independent Shareholders of
Yangtze Optical Fibre and Cable Joint Stock Limited Company*
長飛光纖光纜股份有限公司*

Dear Sirs,

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

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the 2020-2022 Prysmian Sales Framework Agreement; (ii) the 2020-2022 Prysmian Purchase Framework Agreement; (iii) the Supplemental China Huaxin Framework Agreement; and (iv) the Supplemental Nokia Shanghai Purchase Framework Agreement (the “**Framework Agreements**”) (including the proposed annual caps and revised annual caps) and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated May 18, 2020 issued to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular, unless otherwise specified.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As stated in the Letter from the Board, on November 11, 2016, the Company entered into the 2017-2019 Prysmian Sales Framework Agreement and 2017-2019 Prysmian Purchase Framework Agreement with Prysmian S.p.A. to regulate the sales and purchase transactions with the Prysmian Group. 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 of three years commencing from January 1, 2020; 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 of three years commencing from January 1, 2020,

to renew the 2017-2019 Prysmian Sales Framework Agreement and 2017-2019 Prysmian Purchase Framework Agreement upon the effective date of the 2020-2022 Prysmian Sales Framework Agreement and the 2020-2022 Prysmian Purchase Framework Agreement. The 2020-2022 Prysmian Sales Framework Agreement and the 2020-2022 Prysmian Purchase Framework Agreement shall take retrospective effect from January 1, 2020 upon the passing of the relevant resolutions for approval of the 2020-2022 Prysmian Sales Framework Agreement and the 2020-2022 Prysmian Purchase Framework Agreement 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.

As stated in the Letter from the Board, on 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

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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.

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.

IMPLICATION UNDER THE LISTING RULES

Sale and purchase transactions with the Prysmian Group

As at the Latest Practicable Date, 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.

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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.

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% 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.

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

As at the Latest Practicable Date, 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.

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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% 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 Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Bingsheng Teng, Mr. Liu Deming, Mr. Song Wei and Dr. Wong Tin Yau, Kelvin, has been established to advise the Independent Shareholders as to whether the terms of Framework Agreements and the respective proposed annual caps are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and whether the sale and purchase transactions with the Prysmian Group, the sale transactions with the China Huaxin Group and the purchase transactions with the Nokia Shanghai Group are in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; and how the Independent Shareholders should vote on the relevant resolutions at the EGM. We, Sorrento Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

We are independent pursuant to Rule 13.84 of the Listings Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the (i) the 2020-2022 Prysmian Sales Framework Agreement; (ii) the 2020-2022 Prysmian Purchase Framework Agreement; (iii) the Supplemental China Huaxin Framework Agreement; and (iv) the Supplemental Nokia Shanghai Purchase Framework Agreement. As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to the independence of us.

BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have considered, among other things, (i) the 2020-2022 Prysmian Sales Framework Agreement; (ii) the 2020-2022 Prysmian Purchase Framework Agreement; (iii) the Supplemental China Huaxin Framework Agreement; and (iv) the Supplemental Nokia Shanghai Purchase Framework Agreement; (v) the annual reports of the Company for each of the three years ended December 31, 2019 (the “**2017 Annual Report**”, “**2018 Annual Report**” and “**2019 Annual Report**”, collectively, the “**Annual Reports**”); (vi) the announcement of the Company dated on January 23, 2020 in relation to the continuing

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connected transactions with China Huaxin Group and Nokia Shanghai Group (the “**CCT Announcement**”); (vii) other information as set out in the Circular; and (viii) relevant market data and information available from public sources.

We have also relied on all relevant information and representations supplied, and the opinions expressed, by the Directors and/or the management of the Company. We have assumed that all such information and representations contained or referred to in the Circular are true and accurate in all material respects as at the date thereof. The Directors and the management of the Company have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular and have also confirmed that, having made all reasonable enquiries and to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no material facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Company, and they have confirmed that no material information have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading.

We consider that we have reviewed sufficient information currently available to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided by the Directors and/or the management of the Company, Prysmian S.p.A., China Huaxin, Nokia Shanghai, nor have we conducted an independent investigation into the business, affairs, operations, financial position or future prospects of each of the Group, Prysmian S.p.A., China Huaxin, Nokia Shanghai and any of their respective subsidiaries and associates.

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. Background information of the parties

Information of 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.

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The table below shows certain financial information of the Group for the three years ended December 31, 2019 (“FY2019”, “FY2018” and “FY2017”, respectively) as extracted from the 2018 Annual Report and the 2019 Annual Report:

	For the year ended December 31,		
	2017	2018	2019
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total revenue	10,366,084	11,359,764	7,769,175
– <i>Optical fibres and optical fibre preforms</i>	4,702,946	4,691,214	2,508,413
– <i>Optical fibre cables</i>	5,034,897	5,726,733	4,002,029
– <i>Others</i>	628,241	941,817	1,258,733
Gross profit	2,789,201	3,228,424	1,833,527

According to the 2018 Annual Report, the Group’s revenue reached another year of record high to approximately RMB11,359.8 million for FY2018, increased by approximately 9.6% as compared to approximately RMB10,336.1 million for FY2017. The substantial growth in the Group’s total revenue was mainly due to the ramp up of mobile network infrastructure construction by the three State-owned Telecommunication Operators and the ongoing national initiatives such as “Broadband China”, “internet plus” announced by the PRC government, which provided positive catalysts to the demand for optical fibres and optical fibre cables. Also, the Group reported a gross profit of RMB3,228.4 million for FY2018, representing an increase of 15.7% as compared to RMB2,789.2 million for FY2017 and the gross profit margin increased from 26.9% for FY2017 to 28.4% for FY2018. The increase in gross profit margin was mainly due to the changes in sales structure, optimisation of capacity structure and improvement in manufacturing processes.

According to the 2019 Annual Report, the Group’s revenue was approximately RMB7,769.2 million for FY2019, representing a decrease of approximately 31.6% as compared to approximately RMB11,359.8 million for FY2018. The substantial decrease in the Group’s total revenue was mainly because in the recent central biddings from domestic telecom operators, the price of optical fibre and cable decreased by approximately 40%. Also, the Group was affected by the relatively late timing of the biddings, although the announced total volume in the biddings were roughly the same as last year, the volume in the biddings was not released in full in 2019. The Group reported a gross profit of RMB1,833.5 million for FY2019, representing a decrease of 43.2% as compared to RMB3,228.4 million for FY2018 and the gross profit margin decreased from 28.4% for FY2018 to 23.6% for FY2019. The decrease in gross profit was mainly because the decrease in the selling price of optical fibre preforms, optical fibres and optical cables, which was affected by the market was higher than the decrease in the cost of major raw materials in 2019.

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Information of Draka

As stated in the Letter from the Board, 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 Latest Practicable Date, Draka holds approximately 23.73% of the total issued share capital of the Company.

Information of Prysmian S.p.A.

As stated in the Letter from the Board, 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.

Information of China Huaxin

As stated in the Letter from the Board, 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 Latest Practicable Date, China Huaxin holds approximately 23.73% of the total issued share capital of the Company.

Information of Nokia Shanghai

As stated in the Letter from the Board, 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 Latest Practicable Date, Nokia Shanghai is owned as to 49.99% by China Huaxin and 50.01% by independent third parties.

2. Sales and Purchase Transactions with the Prysmian Group

Reasons for and benefits of entering into the 2020-2022 Sales Framework Agreement and the 2020-2022 Purchase Framework Agreement

According to the Letter from the Board, 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 fibres, optical fibre preforms and cables produced to meet customers' required specifications, each of the Company and the Prysmian Group has been manufacturing optical fibres, optical fibre preforms and optical fibre cables with different specifications in line with their own production plans and business strategies.

As such, the Group or Prysmian Group, depending on the needs of its customers, its production plan and business strategy, would purchase from each other the optical fibres, optical fibre preforms 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 Group purchases equipment parts from certain members of the Prysmian Group from time to time for its optical fibre production equipment.

As discussed with the management of the Company, the Group has maintained a long-term relationship with the Prysmian Group being more than 32 years selling or purchasing the optical fibres, optical fibre preforms and optical fibre cables. As further advised by the management of the Company, the 2020-2022 Prysmian Framework Agreements do not prevent the Group from selling or purchasing to independent third parties. Therefore, the Group may, but is not obliged to, continue to sell to or purchase from the Prysmian Group if the price is no less favourable than the price of same products sold to or purchased from independent third parties.

Having considered that (i) there is the long-term business relationship with the Prysmian Group; and (ii) the Group may, but is not obliged to, continue to sell to or purchase from independent third parties, we are of the view that the entering into the

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2020-2022 Prysmian Framework Agreements is in the ordinary and usual course of business of the Group, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Independent Shareholders as a whole.

2020-2022 Prysmian Sales Framework Agreement

Principal terms of the 2020-2022 Prysmian Sales Framework Agreement

As stated in the Letter from the Board, pursuant to the 2020-2022 Prysmian Sales Framework Agreement, the Company agreed to sale the optical fibres and optical fibre cables to Prysmian Group for the period from January 1, 2020 to December 31, 2022. Further details regarding the terms of the 2020-2022 Prysmian Sales Framework Agreement are set out in the Letter from the Board.

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. The Group will take into account its costs together with a profit margin determined based on the average gross profit margin of optical fibres and optical fibre cables provided by the Group in the past five years. For reference, the average gross profit margin for the past five years is approximately 24.64%.

As stated in the Letter from the Board, 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

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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.

As stated in the Letter from the Board, 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, which is updated by the General Administration of Customs of the PRC on a monthly basis. The price will be determined within the range representing the highest and the lowest of the Local Tender Price, the PRC Tender Price and the latest Export Price, if available.

As stated in the Letter from the Board, for export sales, the actual contract price will be determined in accordance with 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 as updated from time to time. 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, which had not occurred since January 1, 2017 as advised by the management of the Company.

As stated in the Letter from the Board, for domestic sales, since the Local Tender Price and the Export Price are not relevant, the price will be determined in accordance with the PRC Tender Price. 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.

We have discussed with the management of the Company and understand that since the product specifications required by different telecommunication operators would usually be different, the tender prices announced and confirmed by different telecommunication operators will all be listed in the predetermined price range. Having considered (i) as there is a wide variety of specifications of the Group's products, there would be circumstances where none of the Local Tender Price, the PRC Tender Price or the Export Price is applicable to the potential orders from the Prysmian Group; and (ii) there may be price fluctuation from time to time during the year, the Company has established a pricing committee consisting of five experienced management staff with an average of 22 years' relevant industry experiences to ensure the product prices will be determined on a fair and reasonable basis.

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As mentioned in the Letter from the Board, (i) the Group can gain access to the Local Tender Price after the telecommunications operators have completed their bidding process if the Group participates in such bidding process, or through the Prysmian Group if it does not participate in such bidding process and the telecommunications operators do not announce the tender price publicly; (ii) the Export Price is available to the public by the General Administration of Customs of the PRC; and (iii) 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. Given that the telecommunications industry is highly concentrated, whether in the PRC or elsewhere in the world, the demands from a handful of telecommunications operators would be the main drivers of the market demands of the optical fibre cables and thus the tender prices determined by those telecommunications operators would largely dictate the market prices. Therefore, we are of the view that the Local Tender Price, the Export Price and the PRC Tender Price can serve as the available benchmarks for the fair values of the products which allow the independent non-executive Directors as well as the auditor of the Company to have a framework to review the continuing connected transactions thereafter.

We have obtained and reviewed the 2017-2019 Prysmian Sales Framework Agreement and we noted that the terms of the 2020-2022 Prysmian Sales Framework Agreement do not have material difference in comparison with the 2017-2019 Prysmian Sales Framework Agreement.

As advised by the management of the Company, the abovementioned pricing policy for the sales of optical fibres and optical fibre cables also applies to the transactions between the Group and independent third parties. Therefore, we have randomly obtained three invoices/transactions between the Group and Prysmian S.p.A. for each of the three years ended 31 December 2019 and compared with an invoice/transaction between the Group and the independent third parties of the similar products for the same period. We noted that the prices of the product sold to Prysmian S.p.A. were not less favourable than those of the product sold to independent third parties. Taking into account that the Group applies the same pricing policy for sales to both Prysmian Group and independent third parties, we are of the view that the selection basis is fairly representative and the prices offered to Prysmian Group were no less favourable than the prices offered to independent third parties.

Having taken into consideration of (i) the accessibility of the Local Tender Price by the Group; (ii) the public availability of the Export Price; (iii) the PRC Tender Price as announced to industry participants (including the Group) by the state-owned telecommunications operators in the PRC; (iv) the set-up of the predetermined price range every year by the chief sales officer of the Company with reference to the Local Tender Price and the PRC Tender Price which will also be updated from time to time to incorporate the latest Export Price; (v) the price of any order for export sales and for domestic sales will be restricted by the predetermined price range and the PRC Tender Price; and (vi) the sample invoices of the transactions under the 2017-2019 Prysmian

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Sales Framework Agreement and the quotations of similar products from third parties as aforementioned and our observation above that the pricing of the relevant transactions was equivalent or comparable to those offered to or quoted by third parties independent of the Company for similar products, we concur with the Directors that the pricing mechanism and the terms of the 2020-2022 Prysmian Sales Framework Agreement is on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Proposed annual caps and basis of determination

A summary of (i) the historical transaction amounts for the three years ended 31 December 2019 for the sales transactions with the Prysmian Group; and (ii) the proposed annual caps for the sales transactions with the Prysmian Group for the three years ending 31 December 2022 are set out in the table below:

	Historical transaction amount			Proposed annual caps		
	2017	2018	2019	2020	2021	2022
The Prysmian Group						
Historical amount/ Proposed annual cap (RMB'000)	91,529	140,970	123,943	200,000	200,000	200,000

As stated in the Letter from the Board, the proposed annual caps was determined mainly after considering (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 is expected to bring another cycle for the optical fibre and cable industry. According to the information from Global Mobile Suppliers Association (“GSA”), an organization representing companies across the worldwide mobile ecosystem who are engaged in the supply of infrastructure, semiconductors, test equipment, devices, applications and mobile support services, in May 2019, 235 telecom operators in 93 countries invested in 5G, and on June 6, 2019, the Ministry of Industry and Information Technology issued 5G licenses to four domestic telecom operators, thus the 5G 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 (the “**Projected Demand**”).

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In order to assess the fairness and reasonableness of the proposed annual caps for the sales transactions with the Prysmian Group, we have gathered the market information, discussed with the management of the Company, and considered the factors as below:

(i) Historical transaction amounts with the Prysmian Group

As advised by the management of the Company, the prices of each type of products sold by the Group were stable since 2019 and the Group expects that there will not be any material fluctuation on the prices of each of the type of products in the next few years as the price of each of the type of products is determined by the Local Tender Price and/or Export Price which were stable. We have obtained and reviewed the historical prices of the products sold by the Group for the year ended 31 December 2019 and noted that the prices of products sold by the Group remain at the similar level in recent years without material fluctuation.

(ii) Projected Demand

As advised by the management of the Company, after they discussed with Prysmian Group, the Group understood that Prysmian Group expects to maintain the market share in the expanding 5G network construction industry among the world by improving their construction capacity and the sales and marketing activities in more countries. According to the information of Global Mobile Suppliers Association, there were 235 operators in 93 countries invested in 5G in May 2019 and there were 381 operators in 123 countries by the end of March 2020. We noted that the number of operators increased by approximately 62.1% from May 2019 to February 2020 (the “**2020 Increment**”).

Having taken into consideration of (i) the historical transaction amount for the year ended December 31, 2019; (ii) potential construction capacity and the sales and marketing activities of Prysmian Group; and (iii) the 2020 Increment, we are of the view that the proposed annual caps under the 2020-2022 Prysmian Sales Framework Agreement is determined based on reasonable estimation and after due and careful consideration and they are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

2017-2019 Prysmian Purchase Framework Agreement

Principal terms of the 2020-2022 Prysmian Purchase Framework Agreement

As stated in the Letter from the Board, pursuant to the 2020-2022 Prysmian Purchase Framework Agreement, the Company agreed to purchase the equipment parts for optical fibre production, optical fibres, optical fibre cables and optical fibre preforms from Prysmian Group for the period from January 1, 2020 to December 31, 2022. Further details regarding the terms of the 2020-2022 Prysmian Purchase Framework Agreement are set out in the Letter from the Board.

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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. The Group will review whether the suppliers have the relevant capability and capacity to satisfy the Group’s requirement and will select suppliers based on the price, reputation, quality of products, production capacity and capability to deliver the products required on a timely basis.

As stated in the Letter from the Board, 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.

As stated in the Letter from the Board, 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. The price will be determined within the range representing the highest and the lowest of the Import Price and the Purchase PRC Tender Price, if available. For import purchases, the price will be determined in accordance with the Import Price. 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.

As stated in the Letter from the Board, for domestic purchases, the price will be determined in accordance with 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

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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.

As mentioned in the Letter from the Board, (i) the Import Price is available to the public by the General Administration of Customs of the PRC; and (ii) the Purchase 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. The Purchase PRC Tender Price is usually considered as a benchmark price for the PRC manufacturers in determining their product prices. Given that the PRC telecommunications industry is highly concentrated, the demands from the three state-owned telecommunications operators would be the main drivers of the market demands of the optical fibre cables and thus the tender prices determined by state-owned telecommunications operators would largely dictate the market prices. Therefore, we are of the view that the Import Price and the Purchase PRC Tender Price can serve as the available benchmarks for the fair values of the products which allow the independent non-executive Directors as well as the auditor of the Company to have a framework to review the continuing connected transactions thereafter.

We have obtained and reviewed the 2017-2019 Prysmian Purchase Framework Agreement and we noted that the terms of the 2020-2022 Prysmian Purchase Framework Agreement do not have material difference in comparison with the 2017-2019 Prysmian Purchase Framework Agreement.

As advised by the management of the Company, the purchase from Prysmian Group for the two years ended December 31, 2018 and the year ended December 31, 2019 were mainly optical fibre preforms and optical fibre respectively and there was no transaction between the Group and independent supplier for the year ended December 31, 2019 for the optical fibre.

As advised by the management of the Company, the abovementioned pricing policy for the purchases of equipment parts for optical fibre production, optical fibre preforms, optical fibres and optical fibre cables also applies to the transactions between the Group and independent third parties. Therefore, we have randomly obtained (i) three invoices/transactions between the Group and Prysmian S.p.A. for each of the two years ended December 31, 2018, and compared with an invoice/transaction between the Group and the independent third parties of the similar products for the same period; and (ii) three invoices/transactions between the Group and Prysmian S.p.A. and import price for the year ended December 31, 2019. We noted that the prices of the product purchase from Prysmian S.p.A. were not less favourable than those of the product purchase from independent third parties or the Group followed the Import Price accordingly. Taking into account that the Group applies the same pricing policy for purchases from both Prysmian Group and independent third parties, we are of the view that the selection basis is fairly representative and the prices offered by Prysmian Group were no less favourable than the prices offered by independent third parties.

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Having taken into consideration of (i) the public availability of the Import Price; (ii) the Purchase PRC Tender Price as announced to industry participants (including the Group) by the three state-owned telecommunications operators in the PRC; (iii) the set-up of the predetermined price range for import purchases every year by the head of supply chain department of the Company with reference to the latest available Import Price which will also be updated from time to time based on the latest information available from the General Administration of Customs of the PRC; (iv) the price of any order for import purchases and for domestic purchases will be restricted by the predetermined price range and the Purchase PRC Tender Price; and (v) the sample invoices of the transactions under the 2017-2019 Prysmian Purchase Framework Agreement and the quotations of similar products from third parties as aforementioned and our observation above that the pricing of the relevant transactions was equivalent or comparable to those offered from or quoted by third parties independent of the Company for similar products, we concur with the Directors that the pricing mechanism and the terms of the 2020-2022 Prysmian Purchase Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Proposed annual caps and its basis of determination

A summary of (i) the historical transaction amounts for the three years ended 31 December 2019 for the purchase transactions with the Prysmian Group; and (ii) the proposed annual caps for the purchase transactions with the Prysmian Group for the three years ending 31 December 2022 are set out in the table below:

	Historical transaction amount			Proposed annual caps		
	2017	2018	2019	2020	2021	2022
The Prysmian Group						
Historical amount/ Proposed annual cap (RMB'000)	62,069	24,056	12,565	100,000	100,000	100,000

As stated in the Letter from the Board, the proposed annual caps was determined mainly after considering (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 fibres from the Prysmian Group (the “**Demand of the 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 (the “**Overseas Business Expansion**”).

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In order to assess the fairness and reasonableness of the proposed annual caps for the purchase transactions with the Prysmian Group, we have gathered the market information, discussed with the management of the Company, and considered the factors as below:

(i) Historical transaction amounts paid to the Prysmian Group

As advised by the management of the Company, the prices of each type of products purchased by the Group were stable since 2019 and the Group expects that there will not be any material fluctuation on the prices of each of the type of products in the next few years as the price of equipment parts for optical fibre production, optical fibres cables and optical fibre preforms is determined by the Import Price and/or Purchase PRC Tender Price which were stable. We have obtained and reviewed the Import Price of the equipment parts for optical fibre production, optical fibres cables and optical fibre preforms over the past year and noted the same.

(ii) Production Demand of the Group

As discussed with the management of the Company, approximately 1.5 million km for the optical fibres are needed for internal use and external sales. Based on the existing production capacity of the production plan for approximately 1.2 million km for optical fibres, approximately 0.3 million km for optical fibres will be purchased from Prysmian Group in order to satisfy the production needed. According to the general historical price for optical fibres of RMB200 per 1km, the purchase will be approximately RMB60 million for 2020. As further discussed with the management of the Company, they considered that the purchase will be stable as the Group does not have expansion plan on their existing production plant. We have obtained the production plan for 2020, historical price list and noted the same.

(iii) Overseas Business Expansion

As advised by the management of the Company, the overseas business expansion of the Group is in line with its development strategy. Based on the projected production capacity of the Group's production plant in South Africa of approximately 1 million km, 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. We have obtained and reviewed the list of machine in South Africa production plant, and historical price list.

Having taken into consideration of the above, we are of the view that the proposed annual caps under the 2020-2022 Prysmian Purchase Framework Agreement are determined based on reasonable estimation and after due and careful consideration and they are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

3. Sales Transactions with China Huaxin Group and Purchase Transactions with Nokia Shanghai Group

Reasons for and benefits of entering into the Supplemental China Huaxin Framework Agreement and the Supplemental Nokia Shanghai Purchase Framework Agreement

As stated in the Letter from the Board, 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.

Having considered that entering into the Supplemental China Huaxin Framework Agreement and the Supplemental Nokia Shanghai Purchase Framework Agreement provide a reliable customer and supplier base and stable income and supply to the Group, we concur with the Directors' view that entering into the Supplemental China Huaxin Framework Agreement and the Supplemental Nokia Shanghai Purchase Framework Agreement is in the ordinary and usual course of the business of the Company and is in the interests of the Company and the Independent Shareholders as a whole.

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Principal terms of the Supplemental China Huaxin Framework Agreement

According to the CCT Announcement and the Letter from the Board, 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, optical telecommunication products and provision of ancillary construction services under the Supplemental 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. Further details regarding the terms of the China Huaxin Framework Agreement and the Supplemental China Huaxin Framework Agreement are set out in the CCT Announcement and the Letter from the Board.

The pricing terms of each transaction for sale of the specific type of communication equipment products and provision of ancillary construction services shall adopt the same guidelines as below:

- (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.

As stated in the CCT Announcement, 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 China

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Huaxin 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 central bidding processes on a regular basis 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. The Export Price is made available to the public by the General Administration of Customs of the PRC.

As stated in the CCT Announcement, the predetermined price range will be set by the responsible officer for sale 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.

As stated in the CCT Announcement, 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, which had not occurred since the effective date of the China Huaxin Framework Agreement as advised by the management of the Company.

As stated in the CCT Announcement, 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. 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, which had not occurred since the effective date of the China Huaxin Framework Agreement as advised by the management of the Company.

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As mentioned in the CCT Announcement, (i) the Group can gain access to the Local Tender Price after the telecommunications operators have completed their bidding process if the Group participates in such bidding process, or through the China Huaxin Group if it does not participate in such bidding process and the telecommunications operators do not announce the tender price publicly; (ii) the Export Price is available to the public by the General Administration of Customs of the PRC; and (iii) 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. Given that the telecommunications industry is highly concentrated, whether in the PRC or elsewhere in the world, the demands from a handful of telecommunications operators would be the main drivers of the market demands of the optical fibre cables and thus the tender prices determined by those telecommunications operators would largely dictate the market prices. Therefore, we are of the view that the Local Tender Price, the Export Price and the PRC Tender Price can serve as the available benchmarks for the fair values of the products which allow the independent non-executive Directors as well as the auditor of the Company to have a framework to review the continuing connected transactions thereafter.

We have obtained and reviewed the China Huaxin Framework Agreement and we noted that other than the nature of transactions and the cap of transactions, the terms of Supplemental China Huaxin Framework Agreement do not have material difference in comparison with the China Huaxin Framework Agreement.

As advised by the management of the Company, the abovementioned pricing policy for the sales of optical fibres and optical fibre cables, optical telecommunication products and provision of ancillary construction services also applies to the transactions between the Group and independent third parties. Therefore, we have randomly obtained three purchase orders between the Group and China Huaxin Group and compared with purchase order between the Group and the independent third parties of the similar products for the same period. We noted that the prices of the product sold to China Huaxin Group were not less favourable than those of the product sold to independent third parties. Taking into account that the Group applies the same pricing policy for sales to China Huaxin Group and independent third parties, we are of the view that the selection basis is fairly representative and the prices offered to China Huaxin Group were no less favourable than the prices offered to independent third parties.

Principal terms of the Supplemental Nokia Shanghai Purchase Framework Agreement

According to the CCT Announcement and the Letter from the Board, the Company agreed to purchase a specific type of communication equipment products from Nokia Shanghai Group with a revised annual cap for the period from January 23, 2020 to December 31, 2020. Further details regarding the terms of the Nokia Shanghai Purchase Framework Agreement and the Supplemental Nokia Shanghai Purchase Framework Agreement are set out in the CCT Announcement and the Letter from the Board.

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The pricing terms of each transaction for purchase of the specific type of communication equipment products shall adopt the same guidelines as below:

- (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 Nokia Shanghai Group are fair and reasonable and comparable to those offered by unrelated third parties.

As stated in the CCT Announcement, 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 stated in the CCT Announcement, 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.

As stated in the CCT Announcement, 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.

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As mentioned in the Letter from the Board, (i) the Import Price is available to the public by the General Administration of Customs of the PRC; and (ii) the Purchase 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. The Purchase PRC Tender Price is usually considered as a benchmark price for the PRC manufacturers in determining their product prices. Given that the PRC telecommunications industry is highly concentrated, the demands from the three state-owned telecommunications operators would be the main drivers of the market demands of the optical fibre cables and thus the tender prices determined by state-owned telecommunications operators would largely dictate the market prices. Therefore, we are of the view that the Import Price and the Purchase PRC Tender Price can serve as the available benchmarks for the fair values of the products which allow the independent non-executive Directors as well as the auditor of the Company to have a framework to review the continuing connected transactions thereafter.

We have obtained and reviewed the Nokia Shanghai Purchase Framework Agreement and we noted that other than the annual cap for the purchase transactions, the terms of Supplemental Nokia Shanghai Purchase Framework Agreement do not have material difference in comparison with the Nokia Shanghai Purchase Framework Agreement.

As advised by the management of the Company, the Group did not have purchase from Nokia Shanghai Group or from other independent supplier for similar products since January 1, 2020.

Having taken into consideration of the above, we concur with the Directors that the pricing mechanism and the terms of the sales transaction under Supplemental China Huaxin Framework Agreement and the purchase under the Supplemental Nokia Shanghai Purchase Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

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Revised annual caps and its basis of determination

The original and revised annual caps under the Supplemental China Huaxin Framework Agreement and the Supplemental Nokia Shanghai Purchase Framework Agreement for the year ending December 31, 2020 are as follows respectively:

Sales transaction with China Huaxin Group

	For the year ending December 31, 2020 (RMB'000)
Original annual caps	100,000
Proposed revised annual caps	600,000

Purchase transaction with Nokia Shanghai Group

	For the year ending December 31, 2020 (RMB'000)
Original annual caps	100,000
Proposed revised annual caps	400,000

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As stated in the Letter from the Board, in arriving at the revised annual cap for the sales transaction with China Huaxin Group, the Company has taken into account the following:

- (i) the projected demand for the 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.

As stated in the Letter from the Board, in arriving at the revised purchase annual caps with the Nokia Shanghai Group, 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.

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In order to assess the fairness and reasonableness of the revised new annual cap for the sales transactions with the China Huaxin Group, we have gathered the market information, discussed with the management of the Company, and considered the factors as below:

- (i) Increasing demand of communication equipment products, optical fibres and optical fibre cables and ancillary construction services from China Huaxin Group

As advised by the management of the Company, China Huaxin was awarded an EPC contract for communication network construction as the main contractor and engaged the Company to carry out work for certain wireless network construction portion of the project. As further advised by the management of the Company, on March 2020, China Huaxin informed the Company that the scale of the EPC contract has increased by approximately 200% due to the (i) the withdrawal of other project participant and (ii) the extended size of the original project and offered to the Group to undertake the extended work including the wireless network construction with the same terms as the original EPC contract (the “**Extended Work**”). After the Group has assessed the capacity of the supply of optical fibres and optical fibre cables and provision of ancillary construction services, the Group accepted the invitation from China Huaxin to undertake the Extended Work.

As further advised by the management of the Company, the purchase from China Huaxin have already amounted to approximately RMB63.7 million up to April 7, 2020, representing over 60% of the existing cap for the year ending December 31, 2020. We obtained the abovementioned purchase orders and noted the same.

- (ii) Increasing demand of communication equipment products produced by Nokia Shanghai Group

As discussed with the management of the Company, the Extended Work includes the wireless network construction and specified the use of specific types of communication equipment products produced by Nokia Shanghai Group. We have obtained and reviewed (i) the EPC contract; (ii) the invitation from China Huaxin to undertake the Extended Work and noted that the increase in demands for wireless network equipment would be in line with the increase in scale of the EPC contract.

Having taken into consideration of the above, we are of the view that (i) the revised annual cap for the sales transaction with China Huaxin Group; and (ii) the revised purchase annual caps for the purchase transactions with the Nokia Shanghai Group are determined based on reasonable estimation and after due and careful consideration and they are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

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RECOMMENDATION

Having considered the principal factors and reasons as discussed above, we are of the view that (i) the Framework Agreements are entered in the ordinary and usual course of business of the Company; and (ii) the terms of Framework Agreements and the respective proposed annual caps and proposed revised annual caps are on normal commercial terms, fair and reasonable insofar as the Independent Shareholders are concerned and in the interests 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 ordinary resolutions in this regard.

Yours faithfully,

For and on behalf of

Sorrento Capital Limited

Aaron Wong

Stanley Chung

Managing Director

Managing Director

Note: Mr. Aaron Wong is a responsible officer of type 6 (advising on corporate finance) regulated activity and has more than seven years of experience in corporate finance and investment banking. Mr. Stanley Chung has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance since 2006. Both Mr. Wong and Mr. Chung have participated in and completed various advisory transactions.

*The English translation of the Chinese name(s) in this letter, where indicated with * is included for information purpose only and should not be regarded as the official English name(s) of such Chinese names.*

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, the interests and short positions of the Directors, supervisors or the chief executive of the Company in the shares, underlying shares or debentures of the Company and 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, or as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise be notified to the Company and the Stock Exchange pursuant to the Model Code (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the supervisors and the chief executive of the Company) were as follows:

Name	Capacity	Class of Share	Number of Shares interested	Approximate percentage of interest in the Company ⁽¹⁾	Approximate percentage of the relevant classes of Shares of the Company ⁽¹⁾	Nature of interest
Directors						
Mr. Zhuang Dan	Beneficial owner	A share	2,350,000 ⁽²⁾	0.31%	0.58%	Long position
Mr. Frank Franciscus Dorjee	Beneficial owner	H share	336,000	0.04%	0.10%	Long position
Mr. Xiong Xiangfeng	Beneficial owner	A share	705,000 ⁽²⁾	0.09%	0.17%	Long position
Mr. Song Wei	Beneficial owner	H shares	200,000 ⁽²⁾	0.03%	0.06%	Long position
Supervisor						
Mr. Jiang Zhikang	Beneficial owner	A share	723,000 ⁽²⁾	0.10%	0.18%	Long position

Notes:

- (1) As at the Latest Practicable Date, the total number of issued shares of the Company was 757,905,108, among which 351,566,794 were H shares and 406,338,314 were A shares.
- (2) Denotes the number of underlying A Shares represented by the units in Ningbo Ruitu Corporate Management Consulting Partnership Enterprise (Limited Partnership) (previously named as Wuhan Ruitu Management Consulting Partnership Enterprise (Limited Partnership)) or Ningbo Ruiying Corporate Management Consulting Partnership Enterprise (Limited Partnership) (previously named as Wuhan Ruiteng Management Consulting Partnership Enterprise (Limited Partnership)) (as the case may be) held by the relevant Directors and Supervisor. Wuhan Ruitu Management Consulting Partnership Enterprise (Limited Partnership) and Wuhan Ruiteng Management Consulting Partnership Enterprise (Limited Partnership) were established under the PRC laws on December 4, 2015 and December 7, 2015, respectively, for the purpose of holding A shares for the Directors, supervisors and senior management members of the Company under the employee stock ownership scheme.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, supervisors nor the 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) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise be notified to the Company and the Stock Exchange pursuant to the Model Code.

(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
Ma Jie	A director of the board and the general manager of China Huaxin and several positions in certain subsidiaries of China Huaxin
Guo Tao	The deputy general manager and secretary to the board of China Huaxin and several positions in certain subsidiaries of China Huaxin
Philippe Claude Vanhille	The senior vice-president of the telecom business of the Prysmian Group, an executive director of Draka and several positions in certain subsidiaries of Prysmian S.p.A. and a joint venture owned as to 50% by the Prysmian Group
Pier Francesco Facchini	The chief financial officer, the IT director and an executive director of Prysmian S.p.A. and several positions in certain subsidiaries of Prysmian S.p.A.

Name of Director	Position Held in the Specific Company
Xiong Xiangfeng	The president of Yangtze Communications and several positions in certain subsidiaries of Yangtze Communications
Lai Zhimin	The vice president and chief financial officer 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	Capacity	Class of Share	Number of Shares interested	Approximate percentage of interest in the Company ⁽¹⁾	Approximate percentage of the relevant classes of Shares of the Company ⁽¹⁾	Nature of interest
China Huaxin	Beneficial owner	A share	179,827,794	23.73%	44.26%	Long position
China Poly Group Corporation Limited (中國保利集團有限公司) ⁽²⁾	Interest of a controlled corporation	A share	179,827,794	23.73%	44.26%	Long position
Yangtze Communications	Beneficial owner	A share	119,937,010	15.82%	29.52%	Long position
Draka	Beneficial owner	H share	179,827,794	23.73%	51.15%	Long position
Draka Holding B.V. ⁽³⁾	Interest of a controlled corporation	H share	179,827,794	23.73%	51.15%	Long position
Prysmian S.p.A. ⁽⁴⁾	Interest of a controlled corporation	H share	179,827,794	23.73%	51.15%	Long position
The Capital Group Companies, Inc. ⁽⁵⁾	Interest of a controlled corporation	H share	17,979,500	2.37%	5.11%	Long position

Notes:

- (1) As at Latest Practicable Date, the total number of issued shares of the Company was 757,905,108, among which 351,566,794 were H shares and 406,338,314 were A shares.
- (2) China Huaxin is wholly-owned by China Poly Group Corporation Limited (中國保利集團有限公司). China Poly Group Corporation Limited (中國保利集團有限公司) is therefore deemed to be interested in 179,827,794 A shares held by China Huaxin.

- (3) 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 held by Draka.
- (4) Draka Holding B.V. is wholly-owned by Prysmian S.p.A.. As set out in note (3) above, Prysmian S.p.A. is therefore deemed to be interested in 179,827,794 H shares held by Draka.
- (5) Capital Research and Management Company is wholly-owned by The Capital Group Companies, Inc.. The Capital Group Companies, Inc. is therefore deemed to be interested in 17,979,500 H shares held by Capital Research and Management Company.

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 and Mr. Pier Francesco Facchini. Mr. Philippe Claude Vanhille has been serving as the senior vice-president of telecom business of the Prysmian Group and is primarily responsible for its global telecom business. Mr. Pier Francesco Facchini is currently the chief financial officer, the IT director and an executive director of Prysmian S.p.A..

Prysmian S.p.A. (together with its group companies) produces a complete range of optical fibres, optical and copper cables and accessories for connectivity systems. Prysmian S.p.A. (together with its group companies) has similar business serving the telecom sector as the Company and therefore competes with the Company. Mr. Vanhille and Mr. Facchini holds several positions in certain subsidiaries and/or joint venture of Prysmian S.p.A. as more particularly described below:

Name of Director	Name of Company	Nature of Interests
Mr. Philippe Claude Vanhille	Draka	Executive Director
	Draka Comteq Fibre B.V.	Non-executive Director
	Draka Comteq France S.A.S.	Member of Comité de Contrôle
	Fibre Ottiche Sud S.r.l.	Chairman of the board of directors
	Prysmian Cables and Systems USA LLC	Non-executive Director
Mr. Pier Francesco Facchini	Precision Fibre Optics Ltd.	Non-executive Director
	Draka Comteq France S.A.S.	President of Comité de Contrôle
	Prysmian Cables et Systemes France S.A.S.	President of Comité de Contrôle

Name of Director	Name of Company	Nature of Interests
	Silec Cable S.A.S.	President of Comité de Controle
	P.T. Prysmian Cables Indonesia	Chairman of the Board of Commissioners
	Prysmian Treasury S.r.l.	Chairman of the board of directors
	Prysmian Cavi e Sistemi S.r.l.	Member of the board of directors
	Turk Prysmian Kablo Ve Sistemleri A.S.	Member of the board of directors
	Prysmian (China) Investment Company Ltd.	Member of the board of directors
	Prysmian MKM Magyar Kabel Muvek KFT	Chairman of supervisory board

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, 2019, 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

Sorrento Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter of advice dated May 18, 2020 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
Sorrento Capital Limited	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Sorrento 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, Sorrento Capital was not interested, directly or indirectly, in any assets which had since December 31, 2019, 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

In December 2019, an outbreak of the coronavirus disease 2019 (COVID-19) developed in Wuhan, where the headquarter of the Group is located. The Group has adopted various effective anti-virus measures in a timely manner. Pursuant to the government's policy to resume work in major provinces successively from February 10, 2020, the production facilities of the Company located in Tianjin, Liaoning, Gansu, Zhejiang and Guangdong have resumed production successively. In accordance with the requirement of epidemic prevention and control, the office and production facilities of the Company located in Hubei resumed production gradually from mid-March 2020. 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, 2019, 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 June 2, 2020 and at the AGM.

- (a) the 2020-2022 Prysmian Sales Framework Agreement;
- (b) the 2020-2022 Prysmian Purchase Framework Agreement;
- (c) the China Huaxin Framework Agreement and the Supplemental China Huaxin Framework Agreement;

- (d) the Nokia Shanghai Purchase Framework Agreement and the Supplemental Nokia Shanghai Purchase Framework Agreement;
- (e) the letter from the Independent Board Committee dated May 18, 2020, the text of which is set out on pages 39 to 40 of this circular;
- (f) the letter from the Independent Financial Adviser dated May 18, 2020, the text of which is set out on pages 41 to 68 of this circular;
- (g) the consent letter from Sorrento Capital referred to in the paragraph headed “Expert and Consent” in this Appendix I;
- (h) the Articles of Association; and
- (i) 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 54, 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.

APPENDIX II PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Details of the proposed amendments to the Articles of Association are set out below:

No.	Existing articles	Articles after amendment
1	<p>Article 48 Transfers may not be entered in the register of Shareholders within thirty (30) days prior to the date of a General Meeting or within five (5) days before the record date set by the Company for the purpose of distribution of dividends. This provision does not apply to the registration of change of register of Shareholders during the issuance of new share capital in accordance with Article 23. The foregoing shall apply to holders of H Shares.</p> <p>Requirements otherwise stipulated by the securities regulatory authorities of the place where the Shares are listed shall apply.</p>	<p>Article 48 The period for closure of register of members prior to the date of a General Meeting or before the record date set by the Company for the purpose of distribution of dividends shall be in accordance with the requirements under the relevant laws and regulations and the Listing Rules.</p>
2	<p>Article 72 In the event the Company convenes a General Meeting, the Board, the Board of Supervisors, and the Shareholders individually or jointly holding 3% or more of the Company's Shares are entitled to propose ad hoc motions in writing to the Company.</p>	<p>Article 72 In the event the Company convenes a General Meeting, the Board, the Board of Supervisors, and the Shareholders individually or jointly holding 3% or more of the Company's Shares are entitled to propose motions to the Company.</p>
3	<p>Article 119 Any variation or abrogation of the rights of any class of Shareholders proposed by the Company may only be carried out after the adoption of a special resolution at a General Meeting and approval by the affected Shareholders of that class at a separate General Meeting of Shareholders held in accordance with Articles 121 to 125 of these Articles of Association.</p>	<p>Article 119 Any variation or abrogation of the rights of any class of Shareholders proposed by the Company may only be carried out after the adoption of a special resolution at a General Meeting and approval by the affected Shareholders of that class at a separate General Meeting of Shareholders held in accordance with Articles 121 to 125 of these Articles of Association. If changes in domestic and foreign laws and regulations and the listing rules of the place where the Shares of the Company are listed and the decisions made by domestic and foreign regulatory authorities in accordance with the law lead to any mandatory variation or mandatory abrogation of the rights of any class of Shareholders, no approval from the General Meeting or class meeting of Shareholders is required.</p>

APPENDIX II PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

No.	Existing articles	Articles after amendment
4	<p>Article 135 The Board shall report to the General Meeting and exercises the following powers:</p> <p>.....</p> <p>The Board resolutions in respect of the matters specified in sub-clauses (6), (7) and (13) of the preceding sub-section shall be passed by not less than two-thirds of the Directors; the Board resolutions in respect of guarantee matters within the scope of authority of the Board shall, in addition to being passed by more than one half of the Directors, require the affirmative vote of not less than two-thirds of all the Directors attending the Board meeting; the Board resolutions in respect of other matters may be passed by more than one half of the Directors. The Board shall perform its duties in accordance with laws, administrative regulations, the Articles of Association and Shareholder’s resolution.</p>	<p>Article 135 The Board shall report to the General Meeting and exercises the following powers:</p> <p>.....</p> <p>The Board resolutions in respect of the matters specified in the preceding sub-section shall be passed by more than one half of the Directors; Board resolutions in respect of sub-clauses (6), (7) and (13) of the preceding sub-section and in respect of guarantee matters within the scope of authority of the Board shall also require the affirmative vote of not less than two-thirds of all the Directors attending the Board meeting.</p>
5	<p>Article 141 At least two (2) meetings of the Board shall be convened every year by the Chairman, notice of the meeting shall be served, on all of the Directors and of the Supervisors and the president, at least fourteen (14) days before the date of the meeting.</p> <p>.....</p>	<p>Article 141 At least four (4) meetings of the Board shall be convened every year by the Chairman, notice of the meeting shall be served, on all of the Directors and of the Supervisors and the president, at least fourteen (14) days before the date of the meeting.</p> <p>.....</p>

APPENDIX II PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

No.	Existing articles	Articles after amendment
6	<p>Article 190 The contract for emoluments entered into between the Company and its Directors or Supervisors should provide that in the event of a takeover of the Company, the Directors and Supervisors shall, subject to the prior approval of the Shareholders in General Meeting, have the right to receive compensation or other payment for loss of office or retirement. A takeover of the Company means:</p> <p>.....</p>	<p>Article 190 The contract for emoluments entered into between the Company and its Directors or Supervisors should provide that in the event of a takeover of the Company, the Directors and Supervisors shall, subject to the prior approval of the Shareholders in General Meeting, have the right to receive compensation or other payment for loss of office or retirement, such compensation shall be made in accordance with the principle of fairness, and shall not damage the legitimate rights and interests of the Company and shall not carry out the transfer of benefits. A takeover of the Company means:</p> <p>.....</p>
7		<p>Article 240 Requirements otherwise mandatorily stipulated on the relevant matters stipulated in the Articles of Association by the applicable laws, administrative regulations, laws or the securities regulatory authorities of the place where the Shares are listed shall apply.</p>

**APPENDIX III PROPOSED AMENDMENTS TO THE PROCEDURAL RULES
FOR THE GENERAL MEETING**

Details of the proposed amendments to the Procedural Rules for the General Meeting are set out below:

No.	Existing articles	Articles after amendment
1	<p>Article 8 All the shareholders of the Company shall be entitled to attend the annual general meetings and extraordinary general meetings. Holders of different classes of shares are class shareholders. Holders of domestic shares (hereinafter referred to as the “Holders of A Shares”) and holders of overseas listed foreign shares (hereinafter referred to as the “Holders of H Shares”) are deemed as different classes of shareholders, in addition to other class shareholders. Any variation or abrogation of the rights of any class shareholders as proposed by the Company may only be adopted after the approval by a special resolution at a general meeting and the approval by a general meeting of class shareholders in accordance with the provisions of the Articles of Association.</p>	<p>Article 8 All the shareholders of the Company shall be entitled to attend the annual general meetings and extraordinary general meetings. Holders of different classes of shares are class shareholders. Holders of domestic shares (hereinafter referred to as the “Holders of A Shares”) and holders of overseas listed foreign shares (hereinafter referred to as the “Holders of H Shares”) are deemed as different classes of shareholders, in addition to other class shareholders. Any variation or abrogation of the rights of any class shareholders as proposed by the Company may only be adopted after the approval by a special resolution at a general meeting and the approval by a general meeting of class shareholders in accordance with the provisions of the Articles of Association.</p> <p>If changes in domestic and foreign laws and regulations and the listing rules of the place where the shares of the Company are listed and the decisions made by domestic and foreign regulatory authorities in accordance with the law lead to any mandatory variation or mandatory abrogation of the rights of any class of shareholders, no approval from the general meeting or class meeting of shareholders is required.</p>

**APPENDIX III PROPOSED AMENDMENTS TO THE PROCEDURAL RULES
FOR THE GENERAL MEETING**

No.	Existing articles	Articles after amendment
2	Article 36 After the convener of a meeting have issued the notice of a general meeting, such meeting shall not be postponed or cancelled without any proper reason nor shall any proposal listed in the notice be removed. In case of postponing or cancellation, the convener of the meeting shall publish a notice at least two working days before the original date of the general meeting and state the relevant reasons therein.	Article 36 After the convener of a meeting have issued the notice of a general meeting, such meeting shall not be postponed or cancelled without any proper reason nor shall any proposal listed in the notice be removed without any proper reason. If it is necessary to postpone or cancel the general meeting or cancel any proposal due to special reasons, the convener of the meeting shall publish a notice at least two working days before the original date of the general meeting and state the relevant reasons therein and announce the postponed date of the meeting.

**APPENDIX IV PROPOSED AMENDMENTS TO THE PROCEDURAL RULES
FOR THE BOARD MEETING**

Details of the proposed amendments to the Procedural Rules for the Board Meeting are set out below:

No.	Existing articles	Articles after amendment
1	<p>Article 4 Any matter to be submitted by the Board to the general meeting for approval as required by the laws, administrative rules, regulations of the competent government department(s) or the Articles of Association shall first be considered and resolved on by the Board.</p> <p>The Board shall review the interim proposals put forward by shareholders individually or jointly holding 3% or more of the total number of the shares of the Company carrying voting rights for deliberation at general meetings and decide whether such proposals shall be submitted to the general meeting for consideration.</p>	<p>Article 4 Any matter to be submitted by the Board to the general meeting for approval as required by the laws, administrative rules, regulations of the competent government department(s) or the Articles of Association shall first be considered and resolved on by the Board.</p>
2	<p>Article 13 Regular Meetings:</p> <p>The Board shall convene at least one regular meeting in both the first half and the second half of each year. Such meetings include without limitation:</p> <p>.....</p>	<p>Article 13 Regular Meetings:</p> <p>The Board shall convene at least four regular meetings annually, once every quarter. Such meetings include without limitation:</p> <p>.....</p>

**APPENDIX IV PROPOSED AMENDMENTS TO THE PROCEDURAL RULES
FOR THE BOARD MEETING**

No.	Existing articles	Articles after amendment
3	<p>Article 27 Voting of Proposals</p> <p>.....</p> <p>Matters set out in paragraphs (6), (7) and (13) of Article 2 hereof shall require the affirmative vote of two-thirds or more of the directors; guarantee matters within the scope of authority of the Board shall, in addition to being passed by more than one half of the Directors, require the affirmative vote of not less than two-thirds of all the Directors attending the Board meeting; all other proposals considered by the Board may be adopted by the majority vote of the directors.</p> <p>Voting at the Board meetings may take the form of either a show of hands or ballot. Each director shall be entitled to one vote.</p>	<p>Article 27 Voting of Proposals</p> <p>.....</p> <p>Matters set out in Article 2 hereof shall be passed by more than one half of the Directors; resolutions in respect of sub-clauses (6), (7) and (13) in Article 2 hereof and in respect of guarantee matters within the scope of authority of the Board shall also require the affirmative vote of not less than two-thirds of all the Directors attending the Board meeting.</p> <p>Voting at the Board meetings may take the form of either a show of hands or ballot. Each director shall be entitled to one vote.</p>

**APPENDIX V PROPOSED AMENDMENTS TO THE PROCEDURAL RULES
FOR THE BOARD OF SUPERVISORS MEETING**

Details of the proposed amendments to the Procedural Rules for the Board of Supervisors Meeting are set out below:

No.	Existing article	Article after amendment
1	Article 35 If any resolution adopted by the board of supervisors involves a request for the convening of an interim meeting of the board of directors or an extraordinary general meeting or the submission of an ad hoc motion to the annual general meeting of the shareholders, then the board of supervisors shall within the prescribed time submit to the board of directors written proposals setting out the agenda and full details of the proposals and shall ensure that the content of such proposals complies with laws, and regulations and the articles of association of the Company.	Article 35 If any resolution adopted by the board of supervisors involves a request for the convening of an interim meeting of the board of directors or an extraordinary general meeting, then the board of supervisors shall within the prescribed time submit to the board of directors written proposals setting out the agenda and full details of the proposals and shall ensure that the content of such proposals complies with laws, and regulations and the articles of association of the Company.

NOTICE OF ANNUAL GENERAL MEETING



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)

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting (the “AGM” or the “Meeting”) of Yangtze Optical Fibre and Cable Joint Stock Limited Company* (the “Company”) will be held on Tuesday, June 16, 2020 at 1:30 p.m. at Multi-Media Meeting Room, 201# Building, No. 9 Guanggu Avenue, East Lake High-tech Development Zone, Wuhan, Hubei Province, PRC, for the purposes of considering and if thought fit, passing the following resolutions:

ORDINARY RESOLUTIONS

1. **THAT** (i) the continuing connected transactions contemplated under the purchase framework agreement entered into between Prysmian S.p.A. and the Company on March 31, 2020, a copy of which has been initialled by the chairman of this meeting and for the purpose of identification marked “A”, and the proposed annual caps be and are hereby generally and unconditionally approved and the directors of the Company acting together or by committee, or any director of the Company acting individually, be and is hereby authorised to do all such further acts and things and execute such further documents and take all such steps which in his/her/their opinion may be necessary, desirable or expedient to implement and/or give effect to the terms of such continuing connected transactions; and (ii) the continuing connected transactions contemplated under the sales framework agreement entered into between Prysmian S.p.A. and the Company on March 31, 2020, a copy of which has been initialled by the chairman of this meeting and for the purpose of identification marked “B”, and the proposed annual caps be and are hereby generally and unconditionally approved and the directors of the Company acting together or by committee, or any director of the Company acting individually, be and is hereby authorised to do all such further acts and things and execute such further documents and take all such steps which in his/her/their opinion may be necessary, desirable or expedient to implement and/or give effect to the terms of such continuing connected transactions;

* *For identification purpose only*

NOTICE OF ANNUAL GENERAL MEETING

2. **THAT** the continuing connected transactions contemplated under the supplemental framework agreement entered into between China Huaxin Post and Telecom Technologies Co., Ltd (中國華信郵電科技有限公司) and the Company on March 31, 2020, a copy of which has been initialled by the chairman of this meeting and for the purpose of identification marked “C”, and the proposed revised annual cap be and is hereby generally and unconditionally approved and the directors of the Company acting together or by committee, or any director of the Company acting individually, be and is hereby authorised to do all such further acts and things and execute such further documents and take all such steps which in his/her/their opinion may be necessary, desirable or expedient to implement and/or give effect to the terms of such continuing connected transactions;

3. **THAT** the continuing connected transactions contemplated under the supplemental framework agreement entered into between Nokia Shanghai Bell Co., Ltd (上海諾基亞貝爾股份有限公司) and the Company on March 31, 2020, a copy of which has been initialled by the chairman of this meeting and for the purpose of identification marked “D”, and the proposed revised annual cap be and is hereby generally and unconditionally approved and the directors of the Company acting together or by committee, or any director of the Company acting individually, be and is hereby authorised to do all such further acts and things and execute such further documents and take all such steps which in his/her/their opinion may be necessary, desirable or expedient to implement and/or give effect to the terms of such continuing connected transactions;

4. To approve the report of the Board for the year 2019;

5. To approve the report of the Board of Supervisors for the year 2019;

6. To approve the 2019 annual report of the Company;

7. To approve the final financial report for the year 2019;

8. To approve the proposed profit distribution plan for the year 2019;

9. To approve the re-appointment of KPMG Huazhen LLP as independent auditors of the Company for the year 2020; and

10. To approve the purchase of liability insurance for the Directors, Supervisors and senior management.

NOTICE OF ANNUAL GENERAL MEETING

SPECIAL RESOLUTIONS

11. To consider and approve the proposal in relation to the proposed mandate for issue of debt financing instruments and relevant authorization;
12. To consider and approve the proposal in relation to the amendments to the Articles of Association;
13. To consider and approve the proposal in relation to the amendments to the procedural rules for the general meeting of the Company;
14. To consider and approve the proposal in relation to the amendments to the procedural rules for the Board meeting; and
15. To consider and approve the proposal in relation to the amendments to the procedural rules for the Board of Supervisors meeting.

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, May 18, 2020

NOTICE OF ANNUAL GENERAL MEETING

Notes:

(1) Circular

Details of the above proposals and resolutions to be considered at the AGM are set out in the circular of the Company dated May 18, 2020 (the “**Circular**”). Unless otherwise defined in this notice, capitalized terms used in this notice shall have the same meanings as those defined in the Circular.

(2) Closure of register of members and eligibility for attending the AGM

Holders of H shares of the Company (“**H Shares**”) are advised that the register of members will be closed from Thursday, June 11, 2020 to Tuesday, June 16, 2020 (both days inclusive). Holders of H Shares whose names appear on the register of members of the Company maintained in Hong Kong at close of business on Thursday, June 11, 2020 are entitled to attend the AGM. Holders of H Shares who wish to attend the AGM 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 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, at or before 4:30 p.m. on Wednesday, June 10, 2020.

(3) Closure of register of members and entitlement to the proposed dividend

To ascertain the entitlement to the proposed dividend, holders of H Shares are advised that the register of members will be closed from Saturday, June 20, 2020 to Friday, June 26, 2020 (both days inclusive). Holders of H Shares whose names appear on the register of members of the Company maintained in Hong Kong at close of business on Friday, June 26, 2020 are entitled to the proposed dividend of the Company (subject to approval of the Shareholders). In order to qualify for the proposed dividend, holders of H Shares who 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 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 4:30 p.m. on Friday, June 19, 2020.

(4) Proxy

Shareholders entitled to attend and vote at the AGM may appoint one or more proxies to attend, speak 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 notarised. 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 by the holder of H Shares by hand or by post not less than 24 hours before the time fixed for holding the AGM (i.e. not later than 1:30 p.m. on Monday, June 15, 2020) 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 AGM 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 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.

(5) 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).

(6) 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.

NOTICE OF ANNUAL GENERAL MEETING

(7) Other issues

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

The AGM starts at 1:30 p.m. Registration for admission to the AGM will take place from 12:30 p.m. to 1:30 p.m.

References to time and dates in this notice are to Hong Kong time and dates.

As at the date of this notice, 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.