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Yangtze Optical Fibre and Cable Joint Stock Limited Company*

長飛光纖光纜股份有限公司

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

(Stock Code: 6869)

PROPOSED A SHARE OFFERING

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The Board is pleased to announce that at a meeting of the Board held on December 23, 2016, the Company proposed to apply to the CSRC and other relevant regulatory authorities for an initial public offering of A Shares each with a nominal value of RMB1.00 to the qualified investors and a listing of such A Shares on the Shanghai Stock Exchange. The A Share Offering will be subject to the approval by the Shareholders at the General Meetings, as well as the approvals by the CSRC and other relevant regulatory authorities.

The total number of A Shares to be issued will be not more than 75,790,510 A Shares, which represents:

- (i) approximately 22.93% of the total number of Domestic Shares in issue and approximately 11.11% of the existing total issued share capital of the Company; and
- (ii) approximately 18.65% of the total number of A Shares in issue and 10.00% of the enlarged total issued share capital of the Company upon completion of the A Share Offering,

assuming that the Domestic Shares in issue will all be converted into tradeable A Shares upon completion of the A Share Offering and there are no other changes to the issued share capital of the Company.

* For identification purposes only

GENERAL

An extraordinary general meeting, as well as an H Share class meeting and a Domestic Share class meeting will be convened to consider and, if thought fit, to approve, among other things, the A Share Offering and other related proposals. A circular containing, among others, details of the A Shares Offering and other related proposals, together with a notice to convene an extraordinary general meeting, an H Share class meeting and a Domestic Share class meeting to approve the A Share Offering and other related proposals, will be despatched in due course.

The proposed A Share Offering is subject to certain conditions, including but not limited to the market conditions, the Shareholders' approval at the General Meetings, as well as the approvals of the CSRC and/or other relevant regulatory authorities, and accordingly, may or may not proceed. Shareholders and potential investors are advised to exercise caution in dealing in the H Shares or other securities of the Company.

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The plan for the proposed A Share Offering as approved by the Board are summarized as follows:

1. Class of shares : Domestic listed RMB-denominated ordinary shares (A Shares)
2. Par value of shares : RMB1.00
3. Number of shares to be issued : Not more than 75,790,510 RMB-denominated ordinary shares (A Shares). The final number of Shares to be issued will be determined by the Board in accordance with the authorization from general meetings of Shareholders, upon consultation with the sponsor(s) (the lead underwriter(s)) and taking into consideration the relevant laws and regulations and market conditions. Corresponding adjustment will be made to the number of A Shares to be issued pursuant to the A Share Offering upon occurrence of ex-rights events such as bonus issue and capitalization issue.

The aforementioned issuance size is determined based on a number of factors including the current shareholding structure of the Company, the funding needs of the target investment projects which are to be funded from the proceeds of the A Share Offering, the estimated operating performance of the Company by the time of the offering and the valuations as obtained from the capital markets. The A Share Offering involves only issue of new Shares but not any transfer of any existing Shares by the existing Shareholders to the investors.

4. Target subscribers : Investors who satisfy relevant qualification requirements in the price consultation process, and domestic natural persons, legal persons and other institutional investors which have maintained RMB-denominated ordinary shares (A shares) securities accounts with the Shanghai branch of the China Securities Depository and Clearing Co., Ltd. (excluding those prohibited by the relevant PRC laws, administrative regulations, departmental rules, regulatory documents, and other regulatory requirements applicable to the Company).
5. Method of issuance : A combination of placing by way of price consultation with target subscribers (“**Enquired Persons**”) offline and online application based on market capitalization, or other methods approved by regulatory authorities such as the CSRC.
6. Pricing methodology : The issue price of the A Shares under the A Share Offering will be determined through price consultation with Enquired Persons offline or other legally permissible methods such as direct pricing by way of negotiations between the Board (as authorized at general meetings of Shareholders) and the lead underwriter(s), taking into account the conditions of the capital markets and the actual conditions of the Company at the time of the issuance.
7. Form of underwriting : The offering will be underwritten by an underwriting syndicate led by the lead underwriter(s) which commits to underwrite all unsubscribed A Shares.
8. Place of listing : Shanghai Stock Exchange.

9. Use of proceeds : The proceeds from the A Share Offering, after deducting listing expenses, are to be used for the upgrading of industrial scale, improvement of technologies and purchase of equipment, replenishment of working capital, and repayment of bank loans.
10. Conversion of the Company : The Company will apply for conversion into a joint stock company with limited liability with both domestic and overseas-listed Shares.
11. Effective period of the resolution : 12 months from the date on which the proposal on the A Share Offering is considered and approved by the Shareholders at the General Meetings.

OTHER PROPOSALS RELATING TO THE A SHARE OFFERING

For the purposes of implementing the proposed A Share Offering, various proposals have to be prepared by the Company. In addition to the plan for the proposed A Share Offering as summarized above, the Board has also considered and approved other proposals in relation to the A Share Offering at the same meeting of the Board held on December 23, 2016, including (among other things) the proposal to authorize the Board to have full powers to deal with all matters in relation to the A Share Offering and the proposal to appoint relevant intermediaries for the purposes of the A Share Offering. Other proposals in relation to the A Share Offering are being prepared and will have to be submitted to the Board for consideration and approval in due course. All the aforementioned proposals (including those which are being prepared) will be submitted to the General Meetings for consideration and approval by the Shareholders at the General Meetings, and such details will be set out in the Company's announcement and circular to be published in due course.

REASONS FOR AND BENEFITS OF THE A SHARE OFFERING

The Directors consider that the proposed A Share Offering will provide additional capital to support its future development plans; increase the liquidity of the Shares held by holders of the Domestic Shares; and significantly enhance the corporate image and brand awareness of the Company, which together, will raise the overall competitiveness of the Company and strengthen the capability of the Company in terms of sustainable development.

The Directors consider that the proposed A Share Offering is in the interests of the Company and the Shareholders as a whole.

PUBLIC FLOAT

As at the date of this announcement, based on the publicly available information and to the best of the Directors' knowledge, approximately 25% of the total issued Shares are held by the public, and the Company has maintained a public float above the minimum requirements as prescribed in the Listing Rules. As a result of the proposed A Share Offering, the Company's public float (including H Shares and A Shares) will be approximately 34.68% (assuming an aggregate of 75,790,510 A Shares are issued, there are no other changes to the issued share capital of the Company before completion of the A Share Offering and without taking into account the Shares to be transferred by State-owned Shareholders in compliance with the Implementing Measures for the Transfer of Some State-owned Shares from the Domestic Securities Market to the National Social Security Fund and other relevant requirements). The Company undertakes that it will continue to comply with the public float requirement as prescribed in the Listing Rules during the application process and after completion of the A Share Offering.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The Company has been advised by its PRC counsels that according to the relevant PRC laws and regulations in force and the relevant requirements of the CSRC and the Shanghai Stock Exchange, the Domestic Shares in issue before the A Share Offering will all be converted into tradeable A Shares upon completion of the A Share Offering. Except for the lock up requirements under the relevant laws and regulations, such converted A Shares shall rank pari passu with the A Shares to be issued under the A Share Offering.

For reference and illustration purposes only, assuming that an aggregate of 75,790,510 A Shares will be issued under the A Share Offering and no other changes to the issued share capital of the Company between the date of this announcement and immediately upon completion of the A Share Offering, the shareholding structures of the Company as at the date of this announcement and immediately upon completion of the A Share Offering are set out as follows:

	As at the date of this announcement		Immediately after completion of the A Share Offering	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Non-public Shareholders				
– Domestic Shares	330,547,804	48.46	–	–
– H Shares	181,032,794	26.54	181,032,794	23.89
– A Shares ⁽¹⁾	–	–	314,016,804	41.43
Public Shareholders				
– A Shares to be issued under the A Share Offering	–	–	75,790,510	10.00
– A Shares ⁽²⁾	–	–	16,531,000	2.18
– H Shares	170,534,000	25.00	170,534,000	22.50
Total	<u>682,114,598</u>	<u>100.00</u>	<u>757,905,108</u>	<u>100.00</u>

Notes:

- (1) Include the 179,827,794 A Shares and the 119,937,010 A Shares to be respectively held by China Huaxin Post and Telecommunication Economy Development Center and Wuhan Yangtze Communications Industry Group Co., Ltd, both of them being substantial shareholders of the Company, and the 14,252,000 A Shares to be held by Wuhan Ruitu Management Consulting Partnership Enterprise (Limited Partnership), a limited partnership owned by the connected persons of the Company. The figures are presented without taking into account the Shares to be transferred by State-owned Shareholders in compliance with the Implementing Measures for the Transfer of Some State-owned Shares from the Domestic Securities Market to the National Social Security Fund and other relevant requirements. Shareholders will carry out the Share transfer in compliance with the relevant laws and regulations and opinions of the regulatory authorities in the course of the A Share Offering.
- (2) Represents the 16,531,000 A Shares to be held by the limited partnerships established and owned by certain selected employees under the ESOP.

FUND RAISING IN THE PAST TWELVE MONTHS

Apart from the Private Placement, the Company has not conducted any fund raising activities involving the issue of equity within the 12 months immediately prior to the date of this announcement.

The Company completed the Private Placement on December 18, 2015. The aggregate net proceeds from the Private Placement (after deducting underwriting fees and related issuing expenses) amounted to approximately RMB251.3 million (equivalent to approximately HK\$302.5 million). The aggregate net proceeds from the subscription of H Shares and Domestic Shares by the connected persons and limited partnerships established and owned by selected employees under the ESOP amounting to (i) RMB189.5 million (equivalent to approximately HK\$228.6 million) would be used to construct the Phase II project of the YOFC Science & Technology Park in Qianjiang to expand the optical fibre preform production capacity of the Group, and the aggregate net proceeds from the placing of H Shares amounting to (ii) RMB61.8 million (equivalent to approximately HK\$73.9 million) would be used to support the development of the business of the Group, in particular, to expand the production capacity both domestically and overseas, and as general working capital, respectively.

Up to the date of this announcement, the aggregate net proceeds from the Private Placement amounting to RMB207.8 million (equivalent to approximately HK\$248.5 million) have been used (i) for contribution of capital of RMB155.0 million (equivalent to approximately HK\$185.4 million) to Yangtze Optical Fibre (Qianjiang) Co., Ltd., a wholly owned subsidiary, which is responsible for the Phase II project of YOFC Science & Technology Park in Qianjiang and, as at the date of this announcement, the paid-up capital has been used to purchase land, build plant and purchase production equipment; (ii) for overseas capacity expansion, that is (a) to contribute capital of RMB10.5 million (equivalent to approximately HK\$12.6 million) to PT. Yangtze Optical Fibre Indonesia, a non-wholly owned subsidiary in Indonesia and, as at the date of this announcement, the paid-up capital has been used to purchase fibre drawing equipment; and (b) for contribution of capital of RMB33.1 million (equivalent to approximately HK\$39.6 million) to Yangtze Optics Africa Holdings Proprietary Limited, a non-wholly owned subsidiary in South Africa and, as at the date of this announcement, the paid-up capital has been used to purchase cable production equipment and lease the plant; and (iii) for payment of RMB9.2 million (equivalent to approximately HK\$11.0 million) as general working capital for purchase of raw materials and operating expenses. The unutilized net proceeds of RMB43.5 million (equivalent to approximately HK\$53.9 million) have been deposited into short-term demand deposits in a bank account maintained by the Group. The Company will continue to utilize the remaining net proceeds for the purposes consistent with those set out in the circular and announcements of the Company in relation to the Private Placement.

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The proposed A Share Offering is subject to certain conditions, including but not limited to the market conditions, the Shareholders' approval at the General Meetings, as well as the approvals of the CSRC and/or other relevant regulatory authorities, and accordingly, may or may not proceed. Shareholders and potential investors are advised to exercise caution in dealing in the H Shares or other securities of the Company.

DEFINITIONS

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

“A Share(s)”	ordinary share(s) of the Company, with a nominal value of RMB1.00 each, which are proposed to be issued by the Company pursuant to the A Share Offering and subscribed for in Renminbi
“A Share Offering”	the Company's proposed initial public offering of not more than 75,790,510 A Shares, which are proposed to be listed on the Shanghai Stock Exchange
“Board”	the board of directors of the Company
“Company”	Yangtze Optical Fibre and Cable Joint Stock Limited Company* (長飛光纖光纜股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange
“connected persons”	has the meaning ascribed thereto in the Listing Rules
“CSRC”	the China Securities Regulatory Commission
“Directors”	the directors of the Company

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“Domestic Shares”	ordinary shares of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
“ESOP”	the 2015 Core Employee Stock Ownership Scheme of the Company approved on October 19, 2015
“General Meetings”	an extraordinary general meeting, as well as an H Share class meeting and a Domestic Share class meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, the A Share Offering and the related proposals
“Group”	the Company and its subsidiaries
“H Shares”	overseas listed foreign shares in the share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Stock Exchange and traded in Hong Kong dollars
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Private Placement”	the private placement of 30,783,000 new Domestic Shares and 1,205,000 new H Shares for the purpose of implementing the ESOP and the placing of 10,664,000 new H Shares to independent institutional investors
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	Domestic Shares and/or H Shares
“Shareholder(s)”	holders of Shares

“Stock Exchange” The Stock Exchange of Hong Kong Limited

“subsidiaries” has the meaning ascribed thereto in the Listing Rules

“substantial shareholders” has the meaning ascribed thereto in the Listing Rules

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

Wuhan, PRC, December 23, 2016

As at the date of this announcement, the Board comprises Wen Huiguo and Frank Franciscus Dorjee, as executive Directors; Ma Jie, Yao Jingming, Philippe Claude Vanhille, Yeung Kwok Ki Anthony, Xiong Xiangfeng and Zheng Huili, as non-executive Directors; Ngai Wai Fung, Ip Sik On Simon, Li Ping and Li Zhuo, as independent non-executive Directors.

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