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## **中國光纖網絡系統集團有限公司**

**CHINA FIBER OPTIC NETWORK SYSTEM GROUP LTD.**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 3777)**

### **PLACING AND TOP-UP SUBSCRIPTION**

**Sole Placing Agent and Underwriter**

# **NOMURA**

**Nomura International (Hong Kong) Limited**

#### **PLACING AND TOP-UP SUBSCRIPTION**

On 27 August 2014, after trading hours, the Company entered into the Placing and Subscription Agreement with the Vendor, the Placing Agent and the Guarantor, pursuant to which the Vendor agreed to place, through the Placing Agent, being the sole placing agent and underwriter, the Sale Shares to the Placees who and whose ultimate beneficial owners are to be third parties independent of the Company and not connected persons of the Company and its connected persons and shall be independent of, and not acting in concert with, the Vendor and the parties acting in concert with it, at the Placing Price of HK\$2.42 per Sale Share, representing a discount of approximately 7.98% to the closing price on the Last Trading Day.

The Placing will be fully underwritten by the Placing Agent whereby the Placing Agent agreed to purchase, or procure its nominees to purchase, unplaced Sale Shares (if any) at the Placing Price.

Pursuant to the Placing and Subscription Agreement, the Vendor conditionally agreed to subscribe for the Subscription Shares. The number of the Subscription Shares subscribed will be equivalent to the number of Sale Shares.

The Sale Shares to be allotted and issued represent (i) approximately 20% of the existing issued share capital of the Company of 1,455,000,000 Shares as at the date of this announcement, and (ii) approximately 16.67% of the enlarged issued share capital of the Company of 1,746,000,000 Shares as enlarged by the issue of Subscription Shares pursuant to the Placing and Subscription Agreement, assuming the Sale Shares are placed in full and no further Subscription Shares will be issued before the completion of Subscription.

The completion of the Subscription is conditional upon (i) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Subscription Shares (and such listing and permission not subsequently revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares); (ii) completion of the Placing having occurred; and (iii) the Executive Director of the Corporate Finance Division of the SFC granting the Vendor a waiver from the obligation to make a general offer under the Takeovers Code with respect to its acquisition of the Subscription.

The gross proceeds and net proceeds from the Subscription will be approximately HK\$704,000,000 and HK\$680,000,000, respectively, which are intended to be used for establishing production facilities and production lines as well as working capital of the Group.

**Shareholders and potential investors should note that completion of the Placing and the Subscription is subject to fulfillment of the condition under the Placing and Subscription Agreement. As the Placing and the Subscription may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

## THE PLACING AND SUBSCRIPTION AGREEMENT

### Date

27 August 2014 (after trading hours)

### Parties involved

The Vendor, the Company, the Placing Agent and the Guarantor

## THE PLACING

### Parties involved

The Vendor, the Company, the Placing Agent and the Guarantor

## **The Vendor**

The Vendor is the Controlling Shareholder of the Company currently holding 531,101,012 Shares, representing approximately 36.50% of the existing issued share capital of the Company. Mr. Zhao Bing, the chairman and executive director of the Company, is the beneficial owner of 79% of the issued share capital of the Vendor.

## **The Placing Agent**

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Placing Agent and its ultimate beneficial owners are third parties independent of the Company and not connected persons (as defined in the Listing Rules) of the Company and its connected persons (as defined in the Listing Rules). The Placing Agent will receive a commission equal to the amount by which the Placing Price exceeds the Backstop Price and multiplied by the total number of Sale Shares, which was arrived at after arm's length negotiations between the Vendor, the Company and the Placing Agent.

The Placing Agent agrees to act as agent for the Vendor during the Placing Period and to procure purchasers for, or failing which to purchase itself, the Sale Shares at the Placing Price on the terms and subject to the conditions set out in the Placing and Subscription Agreement.

In the event that, as at the close of the Placing Period, there are any unplaced Sale Shares, the Placing will be fully underwritten by the Placing Agent whereby the Placing Agent shall purchase, or procure its nominees to purchase, the unplaced Sale Shares at the Placing Price from which the Placing Agent will be entitled to deduct all the amounts it is entitled to be paid under the Placing and Subscription Agreement.

## **The Placees**

The Placing Shares will be placed to the Placees which will be professional, institutional and other investors selected and procured by or on behalf of the Placing Agent who and whose ultimate beneficial owners are to be third parties independent of the Company and not connected persons (as defined in the Listing Rules) of the Company and its connected persons (as defined in the Listing Rules) and shall be independent of, and not acting in concert with, the Vendor and the parties acting in concert with it. No individual Placee is expected to become a Substantial Shareholder (as defined in the Listing Rules) immediately after completion of the Placing.

## **Placing Price**

The Placing Price of HK\$2.42 per Sale Share represents:

- (i) a discount of approximately 7.98% to the closing price of HK\$2.63 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) a discount of approximately 13.20% to the average closing price of HK\$2.79 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the day immediately prior to the Last Trading Day.

The Placing Price was determined on arm's length basis between the Company and the Placing Agent based on current market conditions and the prevailing market price of the Shares. The Directors (including the independent non-executive Directors) consider that terms of the Placing and the Subscription (including the Placing Price, the Subscription Price and the commission) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### **Number of the Sale Shares**

The Sale Shares to be allotted and issued represent (i) approximately 20% of the existing issued share capital of the Company of 1,455,000,000 Shares as at the date of this announcement, and (ii) approximately 16.67% of the enlarged issued share capital of the Company of 1,746,000,000 Shares as enlarged by the Subscription, assuming the Sale Shares are placed in full and no further Subscription Shares will be issued before the completion of the Subscription.

### **Ranking of the Sale Shares**

The Sale Shares will be issued fully paid up and ranking *pari passu* in all respects among themselves and with the existing Shares in issue as at the date of this announcement.

### **Completion**

The Placing is expected to be completed on 1 September 2014, or such other date as the Vendor and the Placing Agent may agree in writing.

### **Lock up undertakings**

The Company undertakes to the Placing Agent, and the Vendor undertakes to the Placing Agent that for a period of 90 days from the Closing Date, the Company will not, except for the Subscription Shares and save pursuant to the terms of the share option scheme of the Company adopted on 3 June 2011:

- (i) allot or issue or offer to allot or grant any option, right or warrant to subscribe any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interest in Shares; or
- (ii) agree to enter into or effect any such transaction with the same economic effect as any of the transactions described in (i) above; or
- (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above without first having obtained the written consent of the Placing Agent.

### **Commission**

The Placing Agent will receive a commission equal to the amount by which the Placing Price exceeds the Backstop Price and multiplied by the total number of Sale Shares, which was arrived at after arm's length negotiations between the Vendor, the Company and the Placing Agent.

## Condition and Termination

The Placing Agent may terminate the Placing and Subscription Agreement without liability to the Vendor and the Company by giving notice in writing to the Vendor and the Company if:

- (a) there develops, occurs or comes into force:
  - (i) any new law or regulation or any change or prospective change in existing laws or regulations which in the sole opinion of the Placing Agent makes it impracticable or inadvisable or inexpedient to proceed with the Placing or has or is likely to have a material adverse effect on the financial position, business, results of operation or prospects of the Group as a whole; or
  - (ii) any significant event, development or change or prospective change (whether or not permanent or forming part of a series of event, developments or changes occurring or continuing before, on and/or after the date hereof) in local, national or international economic, financial, fiscal, industrial, regulatory, political or military conditions, securities market conditions or currency exchange rates or exchange controls, including without limitation, any outbreak or escalation of hostilities, declaration by the United States, the United Kingdom, the People's Republic of China or Hong Kong of a national emergency or other calamity or crisis, the effect of which in the sole opinion of the Placing Agent is or would be materially adverse to the success of the Placing, or makes it impracticable or inadvisable or inexpedient to proceed therewith; or
  - (iii) the declaration of a banking moratorium by United States, the United Kingdom, the People's Republic of China or Hong Kong authorities, or any moratorium, suspension or material restriction on trading in shares or securities generally, or the establishment of minimum prices, on the Stock Exchange, the Shanghai Stock Exchange, New York Stock Exchange or the London Stock Exchange; or
  - (iv) any suspension of dealings in the Shares for any period whatsoever.
- (b) any breach of any of the representations, warranties and undertakings by the Vendor and/or the Company set out in the Placing and Subscription Agreement comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date hereof and prior to the Closing Date which if it had occurred or arisen before the date hereof would have rendered any of such representations, warranties and undertakings untrue or incorrect or there has been a breach of, or failure to perform, any other provision of the Placing and Subscription Agreement on the part of the Vendor and/or the Company; or
- (c) any change or any development involving a prospective change in the general affairs, prospects, earnings, business, properties, stockholders' equity or in the financial or trading position of the Group as a whole which in the sole opinion of the Placing Agent is so material and adverse as to make it impractical or inadvisable to proceed with the Placing.

In the event that the Placing Agent terminates the Placing and Subscription Agreement in accordance with the terms therein, all obligations of each of the Parties under the Placing and Subscription Agreement shall cease and determine.

## **THE SUBSCRIPTION**

### **Parties Involved**

The Company and the Vendor

### **The Subscription Price**

The Subscription Price being HK\$2.42 per Subscription Share, which is equivalent to the Placing Price and was determined on arm's length basis between the Company and the Vendor with reference to the Placing Price.

### **Number of Subscription Shares**

The number of Subscription Shares is equivalent to the number of Sale Shares.

### **Ranking of Subscription Shares**

The Subscription Shares, when issued and fully paid, will rank *pari passu* in all respects with the other Shares in issue or to be issued by the Company on or prior to the respective date of completion of the Subscription, including the rights to all dividends and other distributions declared, made or paid at any time after the respective date of allotment.

### **General Mandate**

The Subscription Shares will be allotted and issued under the General Mandate. Under the General Mandate, the Directors are allowed to allot and issue up to 291,460,000 Shares. Up to the date of this announcement, no Share has been allotted and issued pursuant to the General Mandate. Accordingly, the issue of the Subscription Shares is not subject to any further approval by the Shareholders.

The Company will submit an application to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares in due course.

### **Conditions of the Subscription**

The Subscription is conditional upon:

- (i) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Subscription Shares (and such listing and permission not subsequently revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares);
- (ii) completion of the Placing having occurred pursuant to the terms of the Placing and Subscription Agreement; and
- (iii) the Executive Director of the Corporate Finance Division of the SFC granting the Vendor a waiver from the obligation to make a general offer under the Takeovers Code with respect to its acquisition of the Subscription.

## Completion

Under Rule 14A.92(4)(a)(ii) of the Listing Rules, the Subscription must be completed within 14 days from the date of the Placing and Subscription Agreement, that is, on or before 10 September 2014.

In the event that the conditions are not fulfilled within 14 days after the date of Placing and Subscription Agreement or such later date as may be agreed between the Company and the Vendor, subject to compliance with the Listing Rules, the obligations and liabilities of the Vendor and the Company under the Subscription shall be null and void and neither the Company nor the Vendor shall have any claim against the other for costs, damages, compensation or otherwise provided that the Company shall reimburse the Vendor any legal fees and out-of-pocket expenses which the Vendor shall be obliged to pay in connection with the Placing.

## EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The existing authorised share capital of the Company consists of US\$10,000,000 divided into 10,000,000,000 shares of US\$0.001 each of which 1,455,000,000 Shares have been issued and are fully paid and all of which are listed on the Stock Exchange. The shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the Placing but before the Subscription (assuming that no further allotment and issue of Shares after the date of this announcement and up to the date of completion of the Placing); and (iii) immediately after the Placing and the Subscription (assuming that no further allotment and issue of Shares after the date of this announcement and up to the date of completion of the Placing and the Subscription) is as follows:

Names of shareholders	Approximate shareholding as the date of this announcement		Approximate shareholding immediately after completion of the Placing but before completion of Subscription (assuming no further allotment and issue of Shares after the date of this announcement and up to the date of completion of the Placing)		Approximate shareholding immediately after completion of the Placing and completion of Subscription (assuming no further allotment and issue of Shares after the date of this announcement and up to the date of completion of the Placing and Subscription)	
	Approximate		Approximate		Approximate	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Vendor (Note 1)	531,101,012	36.50	240,101,012	16.50	531,101,012	30.42
Places	—	—	291,000,000	20.00	291,000,000	16.67
Other public shareholders	923,898,988	63.50	923,898,988	63.50	923,898,988	52.91
Total	<u>1,455,000,000</u>	<u>100.00</u>	<u>1,455,000,000</u>	<u>100.00</u>	<u>1,746,000,000</u>	<u>100.00</u>

Note 1: the Vendor is beneficially owned as to 79% by Mr. Zhao Bing, the chairman and executive director of the Company.



## REASONS FOR THE PLACING AND SUBSCRIPTION AND USE OF PROCEEDS

Upon the full subscription of the Subscription Shares, the gross proceeds raised from the Subscription will be approximately HK\$704,000,000. After taking into account the estimated expenses in relation to the Placing, the estimated net proceeds from the Subscription will be approximately HK\$680,000,000, representing a net price of HK\$2.34 per Sale Share. The net proceeds from the Placing and the Subscription are intended to be used for establishing production facilities and production lines as well as working capital of the Group.

The Directors consider that the Placing and the Subscription represents a good opportunity to raise additional funds and widen the Company's shareholder base. Accordingly, the Directors (including the independent non-executive Directors) consider that the Placing and the Subscription are in the interests of the Company and the Shareholders as a whole.

## FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The following table depicts the fund raising activities of the Company during the past twelve months immediately before the date of this announcement:

<b>Date</b>	<b>Event</b>	<b>Net proceeds</b>	<b>Intended use of proceeds</b>	<b>Actual use of proceeds as at the date of this announcement</b>
18 September 2013	Placing of 240,000,000 new shares under general mandate	HK\$253.9 million	Establish production facilities for product components and as general working capital	Establish production facilities for product components and as general working capital

Save as disclosed above, the Company had not conducted any fund raising activities during the past twelve months immediately prior to the date of this announcement.

## GENERAL

The Company is an investment holding company. The Company, together with its subsidiaries is principally engaged in the manufacture and sale of fiber optic patch cords and other accessories.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Subscription Shares.

Further announcement will be made by the Company upon completion of the Placing and Subscription Agreement.



**Shareholders and potential investors should note that completion of the Placing and the Subscription is subject to fulfillment of the conditions under the Placing Agreement and Subscription Agreement, respectively. As the Placing and the Subscription may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms shall have the following meaning:

“Backstop Price”	means HK\$2.34 per Sale Share
“Board”	the board of Directors
“Company”	China Fiber Optic Network System Group Ltd., a company incorporated with limited liability in the Cayman Islands and the Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Placing and the Subscription in accordance with the terms and conditions of the Placing and Subscription Agreement respectively
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Closing Date”	1 September 2014 or such other date as the Vendor and the Placing Agent may agree in writing
“Directors”	directors of the Company
“General Mandate”	the general mandate to allot, issue and deal with the Shares granted to the Directors pursuant to the resolutions passed at the annual general meeting of the Company on 29 May 2014
“Group”	the Company and its subsidiaries
“Guarantor”	Mr. Zhao Bing, a shareholder holding 79% of the shareholding of the Vendor and the chairman and executive director of the Company
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Last Trading Day”	27 August 2014, being the date of the Placing and Subscription Agreement and the last trading day for the Shares on the Stock Exchange prior to the issue of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placee(s)”	any individual(s), institutional or other professional investor(s) procured by the Placing Agent to subscribe for any of the Sale Shares pursuant to the Placing and Subscription Agreement
“Placing”	the placing of 291,000,000 existing Shares pursuant to the terms and conditions of the Placing and Subscription Agreement
“Placing Agent”	Nomura International (Hong Kong) Limited, a corporation licensed to carry out business in type 1 (dealing in securities) regulated activity under the SFO
“Placing and Subscription Agreement”	the agreement dated 27 August 2014 entered into between the Vendor, the Company, the Placing Agent and the Guarantor in relation to the Placing and the Subscription
“Placing Period”	the period commencing upon the execution of the Placing and Subscription Agreement and terminating on the Closing Date (or such later time and date as the Vendor and the Placing Agent may agree in writing)
“Placing Price”	HK\$2.42 per Sale Share
“Sale Share(s)”	291,000,000 existing Shares, beneficially owned by the Vendor and to be placed pursuant to the Placing and Subscription Agreement
“SFC”	Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	ordinary share(s) with par value of US\$0.001 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subscription”	the subscription by the Vendor for the Subscription Shares pursuant to the terms of the Placing and Subscription Agreement
“Subscription Price”	equivalent to the Placing Price
“Subscription Share(s)”	a number of 291,000,000 new Shares provided in the Placing and Subscription Agreement, equivalent to the number of Sale Shares
“subsidiaries”	has the meaning ascribed thereto under the Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Repurchases
“US\$”	United States of America dollar, the lawful currency of in the United States of America
“Vendor”	Kemy Holding Inc., a company incorporated with limited liability in the Cayman Islands and being the Controlling Shareholder of the Company
“%”	per cent

By Order of the Board  
**China Fiber Optic Network System Group Ltd.**  
**Hung, Randy King Kuen**  
*Executive Director*

Hong Kong, 28 August 2014

*As at the date of this announcement, the executive directors of the Company are Mr. Zhao Bing, Mr. Meng Yuxiao, Mr. Deng Xuejun, Mr. Hung, Randy King Kuen and Mr. Xia Ni; and the independent non-executive directors of the Company are Mr. Shi Cuiming, Dr. Ma Kwai Yuen, Dr. Lui Pan, Dr. Xu Wanqiang and Prof. Jiang Desheng.*