
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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



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)

**DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF ENTIRE EQUITY INTEREST IN
RADIO FREQUENCY SYSTEMS GMBH
AND RADIO FREQUENCY SYSTEMS (SUZHOU) CO., LTD.
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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

ALTUS CAPITAL LIMITED

Letter from the Board is set out on pages 6 to 21 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 22 of this circular. A letter from the Independent Financial Adviser, Altus Capital, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 23 to 41 of this circular.

A notice convening the EGM to be held at Multi-functional Meeting Room, 2/F, YOFC Headquarters Building, No. 65 Guanggu Chuangye Street, East Lake High-tech Development Zone, Wuhan, Hubei Province, PRC on Friday, October 13, 2023 at 2:00 p.m. is set out on pages 49 to 50 of this circular.

If you intend to appoint a proxy to attend the EGM, you are required to complete and return the accompanying proxy form in accordance with the instructions printed thereon. The proxy form should be returned by holder of H Shares to the Company's H share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, by hand or by post not less than 24 hours before the time appointed for holding the EGM or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or at any adjourned meeting should you so wish, but in such event the instrument appointing a proxy shall be deemed to be revoked.

Unless otherwise stated, references to time and dates in this circular are to Hong Kong time and dates.

* For identification purpose only

September 20, 2023

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	6
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	22
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	23
APPENDIX I GENERAL INFORMATION	42
NOTICE OF EXTRAORDINARY GENERAL MEETING	49

DEFINITIONS

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

“A Share(s)”	ordinary share(s) of the Company, with a nominal value of RMB1.00 each, which are traded in Renminbi and listed on the SSE (stock code: 601869)
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Assumed Cash Pool Liabilities”	such amount of Cash Pool Liabilities as of the Closing Date to be assumed by the Company, but in any case, not exceeding an amount of EUR43,000,000
“Board”	the board of directors of the Company
“Business Day(s)”	any days other than Saturdays, Sundays and public holidays, in each case in Hannover, Germany
“Cable Business Acquisition”	the acquisitions of the entire equity interest in RFS Germany by YOFC Germany and the acquisition of RFS Suzhou by the Company from RFS Holding pursuant to the Share Purchase Agreement
“Cash Pool Liabilities”	such amount outstanding and owing by the certain Target Group Companies to the Seller under a cash pool system operated by the Seller with its subsidiaries, where such arrangement will be terminated on or before the Closing
“Cash Pool Payable”	an amount equal to the Assumed Cash Pool Liabilities payable by the Seller to the Company which is to be set off against the Base Consideration at the Closing according to the Price Adjustment Mechanism
“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

DEFINITIONS

“Closing”	the consummation of the Cable Business Acquisition, which shall occur on the last calendar day of the month that the Closing Conditions set forth in the Share Purchase Agreement are being satisfied or waived by the Purchasers, whichever is earlier, or at any other time or place that the parties to the Share Purchase Agreement may mutually agree
“Closing Date”	midnight (24:00 hours, Central European Time) of the day on which the Closing occurs
“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 SSE and the Main Board of the Stock Exchange, respectively
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration payable by the Purchasers to the Seller for the Cable Business Acquisition
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be held at Multi-functional Meeting Room, 2/F, YOFC Headquarters Building, No. 65 Guanggu Chuangye Street, East Lake High-tech Development Zone, Wuhan, Hubei Province, PRC on Friday, October 13, 2023 at 2:00 p.m., or any adjournment thereof
“EUR”	Euro, the lawful currency of the member states of the European Union which from time to time adopt it as their currency in accordance with the relevant provisions of the Treaty on European Union and the Treaty on the Functioning of the European Union or their succeeding treaties
“Group”	the Company and its subsidiaries

DEFINITIONS

“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)
“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, established to advise the Independent Shareholders on the terms of the Share Purchase Agreement and the transactions contemplated thereunder
“Independent Financial Adviser” or “Altus Capital”	Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders in relation to the Share Purchase Agreement and the transactions contemplated thereunder
“Independent Shareholders”	has the meaning ascribed to it under the Listing Rules, and in relation to the Company means the Shareholders other than China Huaxin and its associates
“Latest Practicable Date”	September 15, 2023, 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
“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)
“PRC”	the People’s Republic of China, and for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“Prysmian Group”	Prysmian S.p.A. and its associates
“RFS Germany”	Radio Frequency Systems GmbH, a company with limited liability incorporated in Germany and a target company of the Cable Business Acquisition
“RFS Holding”	RFS Holding GmbH, a company with limited liability incorporated in Germany and a wholly-owned subsidiary of Nokia Shanghai
“RFS Suzhou”	Radio Frequency Systems (Suzhou) Co., Ltd.* (安弗施無線射頻系統(蘇州)有限公司), a limited liability company (solely invested by a foreign legal person) incorporated in the PRC and a target company of the Cable Business Acquisition
“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
“Share Purchase Agreement”	the share purchase agreement entered into between the Company, YOFC Germany (an indirectly wholly-owned subsidiary of the Company) and RFS Holding on August 1, 2023 (Central European Time), pursuant to which RFS Holding conditionally agreed to sell, and (i) YOFC Germany conditionally agreed to purchase the entire equity interest in RFS Germany; and (ii) the Company conditionally agreed to purchase the entire equity interest in RFS Suzhou
“Shareholders”	holders of shares of the Company
“SSE”	The Shanghai Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“Supervisor(s)”	the supervisor(s) of the Company

DEFINITIONS

“Target Group Companies”	RFS Germany, RFS Suzhou and their subsidiaries
“US\$”	United States Dollars, the lawful currency of the United States of America
“YOFC Germany”	YOFC International (Germany) GmbH, a limited liability company incorporated in Germany and an indirectly wholly-owned subsidiary of the Company
“%”	per cent

* *For identification purpose only*

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. Iuri LONGHI

Mr. XIONG Xiangfeng

Mr. MEI Yong

Registered Office:

No. 9 Guanggu Avenue

East Lake High-tech Development Zone

Wuhan, Hubei Province

PRC

Principal Place of Business in Hong Kong:

5/F, Manulife Place

348 Kwun Tong Road

Kowloon

Hong Kong

Independent Non-executive Directors:

Mr. Bingsheng TENG

Mr. SONG Wei

Dr. WONG Tin Yau, Kelvin

Ms. LI Chang'ai

September 20, 2023

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF ENTIRE EQUITY INTEREST IN
RADIO FREQUENCY SYSTEMS GMBH
AND RADIO FREQUENCY SYSTEMS (SUZHOU) CO., LTD.
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated August 2, 2023 in relation to the Share Purchase Agreement and the transactions contemplated thereunder.

* *For identification purpose only*

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further information on the Share Purchase Agreement and the transactions contemplated thereunder; (ii) the recommendation of the Independent Board Committee regarding the terms of the Share Purchase Agreement; (iii) the advice of the Independent Financial Adviser regarding the Cable Business Acquisition and the Share Purchase Agreement; (iv) the notice of EGM; and (v) other information as required under the Listing Rules.

THE SHARE PURCHASE AGREEMENT

The Principal Terms of the Share Purchase Agreement

Date

August 1, 2023 (Central European Time)

Parties

- (1) the Company and YOFC Germany (an indirectly wholly-owned subsidiary of the Company), as the purchasers (the “**Purchasers**”)
- (2) RFS Holding, as the seller (the “**Seller**”)

Subject matter

Pursuant to the Share Purchase Agreement, RFS Holding conditionally agreed to sell, and (i) YOFC Germany conditionally agreed to purchase the entire equity interest in RFS Germany; and (ii) the Company conditionally agreed to purchase the entire equity interest in RFS Suzhou, at the Consideration of an amount equal to the Base Consideration of EUR7,100,000 after application of adjustments, in accordance with the terms and conditions of the Share Purchase Agreement. Based on the Target Group Companies’ financials as at June 30, 2023, the total Consideration is anticipated to be approximately EUR1,106,000. For detailed illustration of the adjustment to the Consideration, please refer to the paragraph headed “The Share Purchase Agreement – The Principal Terms of the Share Purchase Agreement – Consideration – Adjustment to the Base Consideration” below. Upon Closing, RFS Germany and RFS Suzhou will be wholly owned by the Company.

Consideration

Base Consideration

The base consideration for the Cable Business Acquisition payable by the Company and YOFC Germany under the Share Purchase Agreement is EUR7,100,000 (the “**Base Consideration**”).

LETTER FROM THE BOARD

Adjustment to the Base Consideration

The total Consideration payable by the Company and YOFC Germany to RFS Holding for the Cable Business Acquisition shall be determined according to the following price adjustment mechanism (the “**Price Adjustment Mechanism**”):

The total Consideration = A + B – C + D – E – F – G, where:

A = the Base Consideration, being EUR7,100,000.

B = the aggregate amount of cash and cash equivalents of the Target Group Companies as per the Share Purchase Agreement, if any, on the Closing Date.

C = the aggregate amount of financial debt obligations (including interest accrued, if any) of the Target Group Companies as per the Share Purchase Agreement, if any, on the Closing Date.

D = the balance sheet items of the Target Group Companies which are to remain economically with RFS Holding and to be taken into account as increase items as per the Share Purchase Agreement on the Closing Date (being the aggregate of accounts receivable and other receivable) (the “**Balance Sheet Increase Items**”).

E = the balance sheet items of the Target Group Companies which are to remain economically with RFS Holding and to be taken into account as deductibles as per the Share Purchase Agreement on the Closing Date (being the aggregate of accounts payable and other payable) (the “**Balance Sheet Deductible Items**”).

F = EUR34,200,000 less the total net inventory value of the Target Group Companies (after inter-company elimination) as per the Share Purchase Agreement on the Closing Date.

G = the amount of Cash Pool Payable as per the Share Purchase Agreement on the Closing Date.

Based on the unaudited consolidated management account of the Target Group Companies as at June 30, 2023, after application of the Price Adjustment Mechanism, the total Consideration payable under the Share Purchase Agreement is approximately EUR1,106,000. Details are illustrated below:

	<i>EUR'000</i>
(A) Base Consideration	7,100
(B) Plus: Aggregate amount of cash and cash equivalents as at June 30, 2023	6,371
(C) Less: Aggregate amount of financial debts as at June 30, 2023	–
(D) Plus: Balance Sheet Increase Items as at June 30, 2023 (being the aggregate of accounts receivable and other receivable) ⁽¹⁾	21,942

LETTER FROM THE BOARD

	<i>EUR'000</i>
(E) Less: Balance Sheet Deductible Items as at June 30, 2023 (being the aggregate of accounts payable and other payable) ⁽²⁾	(34,307)
(F) Less: Amount of total net inventory value as at June 30, 2023 which falls short of EUR34,200,000	–
(G) Less: Amount of Cash Pool Payable as at June 30, 2023	–
Total Consideration:	<u>1,106</u>

Notes:

1. Out of the Balance Sheet Increase Items of approximately EUR21.9 million as at June 30, 2023, approximately EUR18.8 million was accounts receivables; and the remaining approximately EUR3.1 million was other receivables, which mainly consisted of advance payment to supplier.
2. Out of the Balance Sheet Deductible Items of approximately EUR34.3 million as at June 30, 2023, approximately EUR27.6 million was accounts payables; and the remaining approximately EUR6.7 million was other payables, which mainly consisted of payroll payable, tax payable and advance payment received.

Payment arrangement

At least five Business Days prior to the Closing, RFS Holding shall provide the Purchasers with a good faith estimate of the Consideration (after adjustment, the “**Estimated Closing Payable**”) together with the underlying supporting documentations.

If the Estimated Closing Payable is positive, an amount of 50% of the Estimated Closing Payable (which shall not exceed EUR1,500,000) shall be paid by the Purchasers to an escrow account as set out in the Share Purchase Agreement, and the remaining amount of the Estimated Closing Payable shall be paid by the Purchasers to the Seller on the Closing Date. If the Estimated Closing Payable is negative, the Seller shall pay to the Company the absolute value of the Estimated Closing Payable on the Closing Date.

Within three months after the Closing Date, the Purchasers shall provide the Seller with (i) the accounts of the Target Group Companies as of the Closing Date prepared in accordance with the International Financial Reporting Standards and relevant terms as stipulated in the Share Purchase Agreement and (ii) the Consideration and the basis of calculation (the “**Purchase Price Calculation**”). The Consideration will be binding upon the parties to the Share Purchase Agreement if the Seller does not raise an objection in writing within 30 days of receiving the Purchase Price Calculation.

Within ten Business Days which the Consideration has become binding, if the Consideration exceeds the Estimated Closing Payable, such difference shall be paid by the Purchasers to the Seller; if the Consideration falls short of the Estimated Closing Payable, such difference shall be paid by the Seller to the Company.

LETTER FROM THE BOARD

The Company hired intermediary agencies to perform adequate due diligence on the Target Group Companies. The Consideration was determined through arm's length negotiations between the parties to the Share Purchase Agreement with reference to (i) the earnings before interest, taxation, depreciation and amortization (EBITDA) multiples of comparable companies in France, the United States and the PRC engaged in production and sales of power cable and related products for network infrastructure, (ii) the prospects of business of the Target Group Companies in the global power cable market and (iii) the business expansion plan of the Target Group Companies. The Consideration shall be settled in cash funded by the Group's internal resources.

The Directors consider the Consideration payable under the Share Purchase Agreement to be fair and reasonable and on normal commercial terms for the following reasons:

- (i) ***The earnings before interest, taxation, depreciation and amortization (EBITDA) multiples of comparable companies*** – In order to assess the fairness and reasonableness of the Consideration, the Company has considered the EBITDA multiples of the following comparable companies:

Name	Stock Code	Principal Business	Market Capitalization ^(Note)	EBITDA Multiple
Nexans S.A.	ENXTPA: NEX	A company headquartered in France which is principally engaged in the provision of services and design solution for business areas including power generation and transmission, sustainable power distribution and usage and telecommunication and data network globally.	EUR3,339.9 million	5.8x
CommScope Holding Company, Inc.	Nasdaq-GS: COMM	A network infrastructure service provider based in the United States which is principally engaged the provision of telecommunications solutions globally in four major segments: Connectivity and Cable Solutions (CCS), Outdoor Wireless Networks (OWN), Networking, Intelligent Cellular and Security Solutions (NICS) and Access Network Solutions (ANS).	US\$752.3 million	1.0x
Asia Pacific Wire & Cable Corporation Limited	Nasdaq-CM: APWC	A Taiwan-based company which is principally engaged in the manufacture and distribution of telecommunication (copper and fibre optic) and power cables, enameled wire and electronic wire products in the Asia Pacific region.	US\$33.8 million	2.9x
Encore Wire Corporation	Nasdaq-GS: WIRE	A manufacturer based in the United States which is principally engaged in manufacture and sale of residential, commercial and industrial copper and aluminum electrical building wires and cables for distribution of power from the transmission grid to the wall outlet or end-users.	US\$2,902.6 million	3.5x

LETTER FROM THE BOARD

Name	Stock Code	Principal Business	Market Capitalization ^(Note)	EBITDA Multiple
Zhongtian Technology Submarine Cable Co., Ltd. (江蘇中天科技股份有限公司)	SSE: 600522	A company based in the PRC which provides network infrastructure and manufacture related products (including optical fibre, optical cables, antenna feeders, radio frequency cables and optical transceivers) for optical communications, smart grid, renewable energy and marine construction.	RMB47,542.4 million	10.5x
Jiangsu Hengtong Photoelectric Stock Co., Ltd (江蘇亨通光電股份有限公司)	SSE: 600487	A company based in the PRC which provides products (including copper and aluminium rods, bare overhead conductors, optical fibre and optical cables, submarine power cables, composite cables and new energy cables) and services in optical fibre communication, smart grid and marine engineering.	RMB33,963.6 million	10.6x
Jiangsu Etern Company Limited (江蘇永鼎股份有限公司)	SSE: 600105	A company based in the PRC which is principally engaged in the manufacture of optical fibre, optic cable, special optical cable, optical devices, communication devices and equipment, and the provision of big data communication and engineering services and system integration solutions in the communications industry chain worldwide.	RMB8,848.8 million	26.5x
Tongding Interconnection Information Co., Ltd. (通鼎互聯信息股份有限公司)	SZSE: 002491	A company based in the PRC which is principally engaged in the production of optical fibre, optical fibre cable, optical devices, optical fibre sensors, special optical cables and other products, and the provision of system solutions and technical services both in and out of China.	RMB7,466.1 million	21.5x
			Average	10.3x

Note: The market capitalization of the comparable companies are calculated based on their respective closing prices multiplied by the total number of issued shares as at the Latest Practicable Date.

In arriving at the Base Consideration, the parties derive the value of the Target Group Companies by multiplying the Estimated EBITDA by the EBITDA multiple of the Target Group Companies. The Target Group Companies had undergone reorganization to carve out businesses that are unrelated to the Cable Business Acquisition, which was completed in May 2023. After the reorganization, the Target Group Companies had an estimated earnings before interest, taxation, depreciation and amortization (EBITDA) of approximately EUR0.98 million for the six months ended June 30, 2023 (the “**Estimated EBITDA**”). The EBITDA multiple of the Target Group Companies as represented by the Consideration of approximately 7.2 times was determined based on negotiation between the parties to the Share Purchase Agreement with reference to the median of the EBITDA multiple of the comparable companies of approximately 8.1 times, and adjusted by a slight discount for lack of marketability. Given that the EBITDA multiple of the Target Group Companies falls within the range of the EBITDA multiples of the comparable companies ranging from approximately 1.0 times to 26.5 times, and is lower than and close to the median of approximately 8.1 times, the Company considers that the EBITDA multiple of the Target Group Companies is fair and reasonable.

LETTER FROM THE BOARD

The above comparable companies were selected based on the following criteria: (i) the comparable companies and the Target Group Companies are principally engaged in the same business sector; and (ii) given that the Target Group Companies' customers are mainly located in overseas market and its production base is operated by RFS Suzhou in the PRC, and taking into consideration that the Group is planning to expand its business into overseas market after completing the Cable Business Acquisition, the Company selected both comparable companies in and out of the PRC. The Company believes that the comparable companies selected are appropriate reference and are comparable to the Target Group Companies.

- (ii) ***Business prospects of the Target Group Companies*** – The major products of the Target Group Companies, namely leaky cables and radio frequency cables, are widely used in rail transit and communication base stations. Its leaky cables and radio frequency cables have market share of approximately 35% and 20% in overseas market, respectively. The major customers of the Target Group Companies are telecommunications operators as well as urban rail transit operators or system integrators in the European and American markets. Having considered the overseas product reach of the Target Group Companies, the Company believes that the Cable Business Acquisition would strengthen the Group's international presence and gain access to overseas customers.

- (iii) ***Business expansion plan of the Target Group Companies*** – At present, major European and American cities have been accelerating the construction and transformation of communications-based train control system for urban rail transit, which has poised for an increase in the demand for leaky cables. The Target Group Companies will also place emphasis on increasing market share in and introducing its radio frequency cables to new markets. The Company believes that it will be able to benefit from the growing market opportunities by leveraging the Target Group Companies' technological know-how and research and development capabilities, coupled with its brand recognition in overseas market, to achieve revenue growth in the leaky cable segment.

Conditions to Closing

The Closing shall occur on the last calendar day of the month on which the conditions to Closing set forth in the Share Purchase Agreement (the “**Closing Conditions**”) are being satisfied or waived by the Purchasers, whichever is earlier, or at any other time or place that the parties to the Share Purchase Agreement may mutually agree. The Closing Conditions are, inter alia:

- (i) the obtaining of the foreign direct investment clearance certificate from the German Federal Ministry for Economic Affairs and Climate Action (“**BMWi**”) for the equity transfer under the Share Purchase Agreement by the Company, or the BMWi raise no prohibition against the Cable Business Acquisition during the review period thereto, and the obtaining of the foreign direct investment approval from the Australian Foreign Investment Review Board;

LETTER FROM THE BOARD

- (ii) the obtaining of merger control clearance from relevant merger control institution;
- (iii) the Cable Business Acquisition having been approved by the Independent Shareholders at the EGM; and
- (iv) the settlement of the entire pension liabilities of RFS Germany pertaining to eligible employees in accordance with the trust arrangement set forth in the Share Purchase Agreement by the Seller.

The parties to the Share Purchase Agreement may at any time, by mutual agreement and in writing, jointly waive the Closing Conditions set out in paragraphs (i) and (ii) above, and the Purchasers may at any time, in its discretion, waive the Closing Conditions set out in paragraphs (iii) and (iv) above by serving a notice in writing to the Seller. The parties shall use their best endeavours to ensure the satisfaction of the Closing Conditions including but not limited to taking any actions and making suitable alterations in response to any regulatory requirements from relevant authorities in order to implement the Cable Business Acquisition. In the event that the Closing Conditions (i) and/or (ii) cannot be fulfilled, the parties shall mutually discuss in good faith the possibilities of appropriate remedies and the possible outcome, including the exclusion of the portion of the Cable Business Acquisition where clearance from the relevant authority is withheld and agree on a possible adjustment to the Consideration. Additionally, notwithstanding that the Company has the discretion to waive the Closing Condition (iii), the Company confirms that it will not waive such Closing Condition and proceed with the Cable Business Acquisition without obtaining the approval from the Independent Shareholders in conformity with the Listing Rules. In case where the Closing Conditions are not satisfied before the Long Stop Date, as a final course of action, the parties may exercise their right to withdraw from the Share Purchase Agreement as describe in the paragraph headed “The Share Purchase Agreement – The Principal Terms of the Share Purchase Agreement – Right of Withdrawal” below. As at the Latest Practicable Date, save that the Closing Condition (ii) above has been satisfied, none of the Closing Conditions has been satisfied or waived and the Company has no intention to waive any of the Closing Conditions.

Right of Withdrawal

The parties have the right to withdraw from the Share Purchase Agreement (the “**Right of Withdrawal**”) under the following circumstances:

- (i) In the event that the Closing Conditions are not satisfied within five months after the date on which the Share Purchase Agreement was entered into by the parties thereto (the “**Long Stop Date**”), or it is ascertained that the Closing Conditions cannot be fulfilled, each party may withdraw from the Share Purchase Agreement without observing the prescribed notice period.
- (ii) The Purchasers may withdraw from the Share Purchase Agreement without observing the prescribed notice period if:
 - (a) the terms of the Share Purchase Agreement and the transactions contemplated thereunder have not been approved by the Independent Shareholders at the EGM; or
 - (b) any of the Target Group Companies or any third party has filed for a winding-up procedure against the Target Group Companies.

LETTER FROM THE BOARD

- (iii) In the event that the Closing Conditions are not satisfied due to the failure of any party to the Share Purchase Agreement, the party at fault shall not be entitled to withdraw from the Share Purchase Agreement.
- (iv) The parties to the Share Purchase Agreement shall not be entitled to the Right of Withdrawal under the following circumstances:
 - (a) within the last 30 days before the Long Stop Date, if a conditional foreign direct investment decision or prohibition from the relevant authority (the “**Conditional FDI Decision or Prohibition**”) has been issued, and the parties are in the course of discussion in relation to, inter alia, (x) the appropriate remedies and adjustment to be made for completing the Cable Business Acquisition and (y) the possible waiver to the Closing Conditions for the continuation of the transaction thereof; and
 - (b) during the relevant time period but in any event not later than July 31, 2024, the parties lodge an appeal against the Conditional FDI Decision or Prohibition, or the parties implement any mutually agreed remedial actions, including but not limited to the actions mentioned in paragraph (iv)(a) above.
- (v) The Right of Withdrawal may be exercised by the respective parties by serving a notice of withdrawal to the other party prior to the fulfilment of all Closing Conditions.
- (vi) In the event that a party exercises the Right of Withdrawal pursuant to the term(s) of the Share Purchase Agreement, none of the parties shall have any rights to claim against the other party, or shall have any obligations towards the other party (other than the obligations of confidentiality and other obligations in conformity with the relevant provisions of the Share Purchase Agreement, which shall survive after the termination thereof).
- (vii) Failure of the parties to exercise the Right of Withdrawal shall under no circumstances be deemed to constitute a waiver of any other Right of Withdrawal that the parties are entitled to or may have under or in connection with the Share Purchase Agreement.

Closing

Subject to the fulfillment of the Closing Conditions (or waived by the Purchasers), the Closing shall take place on the Closing Date at the place mutually agreed by the Seller and the Purchasers in writing pursuant to the Share Purchase Agreement.

Upon Closing, RFS Germany and RFS Suzhou will become wholly owned subsidiaries of the Company and their financial results will be consolidated into the Group’s financial statements.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE CABLE BUSINESS ACQUISITION

The Group is a leading global telecommunications cable manufacturer. It is principally engaged in the manufacture and sales of optical fibre preforms, optical fibres and optical fibre cables with various standards and specifications, as well as customized optical fibres and cables, optical devices and modules, active optical cables, submarine cables, coaxial cables and other ancillary products and accessories. In recent years, the Group has been actively expanding the application of its products in different fields including rail transit and base stations, and has been able to offer a full range of related products and comprehensive solutions.

RFS Germany and RFS Suzhou specialized in the manufacturing of power cables including radio frequency cables, leaky cables and hybrid cables, which can be applied in fields such as railway transportation and base station networking. In particular, the Group expects to be benefited from the independent research and development, mature product technologies and innovation capabilities of the Target Group Companies, including their pre-existing intellectual property rights. The improvements in process technology and product development which is anticipated to be fostered by the business integration will promote product diversification and add value to the asset portfolio of the Group, and thereby improve the profit level of its power cable business. The expansion of product portfolio after the Cable Business Acquisition is expected to encourage cross-selling of lateral products, which shall serve additional and complementary needs that are unfulfilled by the product categories initially offered by the Target Group Companies and the Group, to their respective customers.

The Target Group Companies are equipped with well-developed production facilities that are managed by professional management team and operated by experienced production units. The Group has been expanding its power cable business rapidly. Through the Cable Business Acquisition, the consolidation of production resources will further improve the overall operational efficiency for serving the enlarged customer base. The Group can also utilize the manufacturing know-how and patents owned by the Target Group Companies, as such, the business integration will enable the Group to optimize its production capacity in power cable manufacturing with the accumulated skills and experiences possessed by the Target Group Companies.

Additional to production layout upgrades, the Target Group Companies have a strong level of brand awareness among its customers and have developed a solid customer base in the international market (especially in Europe, Middle East and Africa) that is not served by the Group. Currently, the major customers of the Group are based in the PRC, leveraged on the geographical reach of the Target Group Companies, the Cable Business Acquisition will unfold business opportunities in new international markets while bringing diversity to existing customers of the Group.

It is expected that the Cable Business Acquisition will improve profitability and the sale of relevant products in new and existing markets, which will lead to further growth of the Group's revenue in other segments.

LETTER FROM THE BOARD

The management has been leading the Group strategically towards diversification and internationalization, the Cable Business Acquisition is in line with such strategic development plan and will establish asset complementarity and allow the realization of synergies, which is favorable for the expansion of the Group's business in target markets. In conjunction with the scale effect, the Group will be able to improve the overall profit level and increase its domestic brand exposure and global customer reach by making full use of the resources of the Target Group Companies (including but not limited to research and development advantages and intellectual property achievements) throughout its operation.

Although the Target Group Companies recorded a loss in the latest financial year, having taken into account (i) the strategic value and synergistic effects with the Group's power cable business as illustrated above that may potentially lead to further growth and enhancement in profitability; (ii) the Consideration is fair and reasonable and on normal and commercial terms as discussed in the paragraph headed "The Share Purchase Agreement - The Principal Terms of the Share Purchase Agreement - Consideration" above; and (iii) the Cable Business Acquisition enables the Group to benefit from the continued growth in global power cable market as digitalisation, 5G densification and upgrade of wireless network remain to be the vital trends in major economies, the Directors are of the view that the Cable Business Acquisition is, on balance, beneficial to the Group and the Shareholders as a whole.

The Board has passed resolutions to approve, among others, the Share Purchase Agreement and the transactions contemplated thereunder on July 31, 2023. Except for Mr. Ma Jie and Mr. Guo Tao, none of the Directors has any material interest in or is required to abstain from voting on the Board resolution on July 31, 2023 in relation to the aforementioned transactions with RFS Holding. 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 directors of China Huaxin, and holds non-senior management position in Nokia Shanghai.

INFORMATION OF THE PURCHASERS

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.

LETTER FROM THE BOARD

YOFC Germany

YOFC Germany is an investment holding company. YOFC Germany is owned as to 100% by YOFC International (Singapore) Pte. Ltd, a wholly-owned subsidiary of Yangtze Optical Fibre and Cable Company (Hong Kong) Limited. Yangtze Optical Fibre and Cable Company (Hong Kong) Limited is a wholly-owned subsidiary of the Company.

INFORMATION OF THE SELLER

RFS Holding is a company with limited liability incorporated in Germany and is an investment holding company. As at the Latest Practicable Date, RFS Holding is a wholly-owned subsidiary of Nokia Shanghai. Nokia Shanghai is owned as to 49.99% by China Huaxin and 50.01% by independent third parties. 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. China Huaxin is a substantial shareholder of the Company holding approximately 23.73% of the total issued share capital of the Company.

INFORMATION OF THE TARGET GROUP COMPANIES

RFS Germany is a company with limited liability incorporated in Germany and is principally engaged in the development and production of power cables for sales through its subsidiaries across Europe, Middle East and Africa. Its products include a wide range of power cables including radio frequency cable, leaky cable and hybrid cable. These power cables are mainly used in areas such as in-tunnel traffic, broadcasting, outdoor and in-building communications and network. As at the Latest Practicable Date, RFS Germany is owned as to 100% by RFS Holding and the sales team and research and development team of the Target Group Companies are mainly based in Germany.

RFS Suzhou is a limited liability company incorporated in the PRC. RFS Suzhou is principally engaged in the manufacturing of networking equipment for the base stations supporting third-generation and next generation mobile communication system and other connectivity systems for the Asia-Pacific market, as well as providing wide range of other related services and technical support. As at the Latest Practicable Date, RFS Suzhou is owned as to 100% by RFS Holding and mainly acted as the production base for the Target Group Companies.

LETTER FROM THE BOARD

Set out below is a summary of the audited consolidated financial information of RFS Germany and its subsidiaries for the two financial years ended December 31, 2022:

RFS Germany

	For the year ended December 31,	
	2021	2022
	(EUR'000)	(EUR'000)
Revenue	80,004	96,374
Net profit or (loss) before taxation ^(Note 1)	(8,429)	(42,928)
Net profit or (loss) after taxation ^(Note 1)	(8,429)	(42,928)

The audited total asset value and net assets of RFS Germany as at December 31, 2022 were approximately EUR123.8 million and EUR100.0 million, respectively.

Set out below is a summary of the audited consolidated financial information of RFS Suzhou for the two financial years ended December 31, 2022:

RFS Suzhou

	For the year ended December 31,	
	2021	2022
	(RMB'000)	(RMB'000)
Revenue	710,222	529,698
Net profit or (loss) before taxation	(37,888)	(17,665)
Net profit or (loss) after taxation	(39,474)	(21,113)

The audited total asset value and net assets of RFS Suzhou as at December 31, 2022 were approximately RMB462.9 million and RMB43.7 million, respectively.

Notes:

1. RFS Germany recorded a relatively high net loss for the financial year ended December 31, 2022, mainly due to (i) one-off asset impairment of EUR7.60 million, (ii) non-operating expenses of EUR14.65 million accrued for the year, (iii) the impact of price fluctuations in raw materials (including copper, being a major raw material) and in turn, led to an increase in costs of production, (iv) the soaring energy, transportation and raw material costs driven by the Russia-Ukraine war, (v) the impact of the upsurging global inflation rate, and (vi) additional costs incurred associated with the reorganization for carving out businesses that are unrelated to the Cable Business Acquisition.
2. The Target Group Companies had undergone reorganization to carve out businesses that are unrelated to the Cable Business Acquisition, which was completed in May 2023. For illustration purpose, (i) the revenue and operating loss of the Target Group Companies which fall within the scope of the Cable Business Acquisition for the financial year ended December 31, 2022, after taking into account the related party transactions between RFS Germany and RFS Suzhou, were approximately EUR96.8 million and EUR4.1 million, respectively; (ii) the revenue and operating loss of the Target Group Companies which fall within the scope of the Cable Business Acquisition for the six months ended June 30, 2023 were approximately EUR41.6 million and EUR3.1 million, respectively; and (iii) the net assets of the Target Group Companies which fall within the scope of the Cable Business Acquisition as of June 30, 2023 was approximately EUR18.3 million.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

Since one or more of the applicable percentage ratios under the Listing Rules in respect of the Cable Business Acquisition exceed 5% but are all less than 25%, the Cable Business Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, RFS Holding is a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules by virtue of the fact that (i) RFS Holding is owned as to 100% by Nokia Shanghai, (ii) Nokia Shanghai is owned as to 49.99% by China Huaxin and 50.01% by independent third parties, and (iii) China Huaxin is a substantial shareholder of the Company who holds approximately 23.73% of the total issued share capital of the Company. Accordingly, the transactions contemplated under the Share Purchase Agreement constitute connected transactions of the Company under the Listing Rules. As one or more of the applicable percentage ratios with respect to the Cable Business Acquisition exceed 5%, the Cable Business Acquisition is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will seek approval for the Share Purchase Agreement and the transactions contemplated thereunder from the Independent Shareholders at the EGM. In accordance with the Listing Rules, China Huaxin and its associates, being connected persons of the Company, will abstain from voting on the ordinary resolution to approve the Share Purchase Agreement and the transactions contemplated thereunder at the EGM. Save for China Huaxin, as at the Latest Practicable Date, to the best knowledge of the Directors, no other Shareholder would be required to abstain from voting thereat as no other Shareholder has any interest in the Share Purchase Agreement which is different from the other Shareholders.

EGM

A notice convening the EGM to be held at Multi-functional Meeting Room, 2/F, YOFC Headquarters Building, No. 65 Guanggu Chuangye Street, East Lake High-tech Development Zone, Wuhan, Hubei Province, PRC on Friday, October 13, 2023 at 2:00 p.m. is set out on pages 49 to 50 of this circular. At the EGM, ordinary resolution will be proposed to approve the terms of the Share Purchase Agreement and the transactions contemplated thereunder.

In order to determine the holders of H Shares who are entitled to attend the EGM, the H Shares register of members of the Company will be closed from Tuesday, October 10, 2023 to Friday, October 13, 2023 (both days inclusive), during which period no transfer of H Shares will be effected. Holders of H Shares who wish to attend the EGM but have not registered the transfer documents are required to deposit the transfer document together with the relevant share certificates at the H Share Registrar of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, at or before 4:30 p.m. on Monday, October 9, 2023. Holders of H Shares whose names appear on the H Shares register of members of the Company at the close of business on Friday, October 13, 2023 are entitled to attend the EGM.

LETTER FROM THE BOARD

A proxy form of the EGM is enclosed herewith. If you intend to appoint a proxy to attend the EGM, you are required to complete and return the accompanying proxy form in accordance with the instructions printed thereon. The proxy forms should be returned by holder of H Shares to the Company's H Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by hand or by post not less than 24 hours before the time appointed for holding the EGM or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or at any adjourned meeting should you so wish, but in such event the instrument appointing a proxy shall be deemed to be revoked.

VOTING BY POLL

Under the Listing Rules, the Cable Business Acquisition is subject to the approval of the Independent Shareholders.

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

RECOMMENDATION

Altus Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Cable Business Acquisition as contemplated under the Share Purchase Agreement. Altus Capital considers that the Share Purchase Agreement has been entered into in the ordinary and usual course of business of the Group, is on normal commercial terms and is fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the terms of the Share Purchase Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, Altus Capital advises the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favor of the ordinary resolution to be proposed at the EGM to approve the terms of the Share Purchase Agreement and the transactions contemplated thereunder. The text of the letter from Altus 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 23 to 41 of this circular.

The Independent Board Committee, having taken into account the advice of Altus Capital, considers that the Share Purchase Agreement has been entered into in the ordinary and usual course of business of the Group, is on normal commercial terms, is 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 Cable Business Acquisition as contemplated under the Share Purchase Agreement is 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 resolution to be proposed at the EGM to approve the Share Purchase Agreement and the transactions contemplated thereunder. The text of the letter from the Independent Board Committee is set out on page 22 of this circular.

LETTER FROM THE BOARD

In the light of the above, the Board is of the view that the terms of the Share Purchase Agreement and the Cable Business Acquisition as contemplated thereunder are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group. The Directors (except Mr. Ma Jie and Mr. Guo Tao) believe that the proposal at the EGM is in the best interests of the Company and its Shareholders as a whole, and accordingly recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on page 22 of this circular, and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Cable Business Acquisition contemplated under the Share Purchase Agreement set out on pages 23 to 41 of this circular.

Additional information is also set out in the appendix of this circular for your information.

As the Closing will be subject to the approval from and registration requirements of the relevant authorities in and outside the PRC, and thus, the Closing may be subject to delay, alteration, suspension or termination.

The operating results of RFS Germany and RFS Suzhou may be affected by various factors such as macroeconomic policies, economic cycles and market competition, hence there are uncertainties and operational risks that the business integration between the Group and the Target Group Companies and the actual business operation post-Closing may not materialize as expected. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the shares or any other securities of the Company.

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

* *For identification purpose only*

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)

September 20, 2023

To the Independent Shareholders

Dear Sir or Madam,

We refer to the circular of the Company to the Shareholders dated September 20, 2023 (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 terms of the Share Purchase Agreement are on normal commercial terms, fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

Altus Capital has been appointed by the Company as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect. We wish to draw your attention to the letter from the Board set out on pages 6 to 21 of the Circular which contains, among others, information on the Share Purchase Agreement and the Cable Business Acquisition, as well as the letter from the Independent Financial Adviser set out on pages 23 to 41 of the Circular which contains its advice and recommendations in respect of the Cable Business Acquisition as contemplated under the Share Purchase Agreement 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 Share Purchase Agreement has been entered into in the ordinary and usual course of business of the Group, and the terms of the Share Purchase Agreement are on normal commercial terms and 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. Accordingly, we recommend the Independent Shareholders to vote in favor of the relevant ordinary resolutions to be proposed at the EGM.

Yours faithfully,
Independent Board Committee

Mr. Bingsheng Teng
*Independent non-
executive Director*

Mr. Song Wei
*Independent non-
executive Director*

Dr. Wong Tin Yau,
Kelvin
*Independent non-
executive Director*

Ms. Li Chang'ai
*Independent non-
executive Director*

* For identification purpose only

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Altus Capital Limited to the Independent Board Committee and the Independent Shareholders in respect of the Cable Business Acquisition as contemplated under the Share Purchase Agreement, which has been prepared for the purpose of incorporation in the Circular.

ALTUS.

Altus Capital Limited
21 Wing Wo Street,
Central, Hong Kong

20 September 2023

To the Independent Board Committee and the Independent Shareholders

Yangtze Optical Fibre and Cable Joint Stock Limited Company*

長飛光纖光纜股份有限公司
5/F, Manulife Place
348 Kwun Tong Road
Kowloon
Hong Kong

Dear Sirs and Madams,

**DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF ENTIRE EQUITY INTEREST IN
RADIO FREQUENCY SYSTEMS GMBH
AND RADIO FREQUENCY SYSTEMS (SUZHOU) CO., LTD.**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Cable Business Acquisition contemplated under the Share Purchase Agreement. Details of the Cable Business Acquisition are set out in the “Letter from the Board” contained in the circular of the Company dated 20 September 2023 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein or required by the context.

On 1 August 2023 (Central European Time), the Company and YOFC Germany (an indirect wholly-owned subsidiary of the Company) entered into the Share Purchase Agreement with RFS Holding, pursuant to which RFS Holding conditionally agreed to sell, and (i) YOFC Germany conditionally agreed to purchase the entire equity interest in RFS Germany; and (ii)

* For identification purposes only

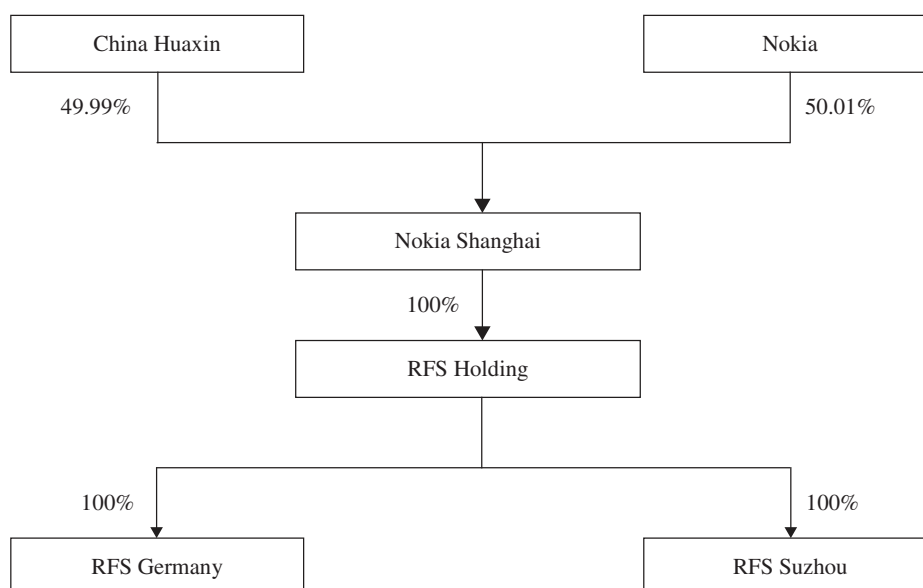
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the Company conditionally agreed to purchase the entire equity interest in RFS Suzhou, at the Consideration of an amount equal to the Base Consideration of EUR7,100,000 after application of adjustments, in accordance with the terms and conditions of the Share Purchase Agreement.

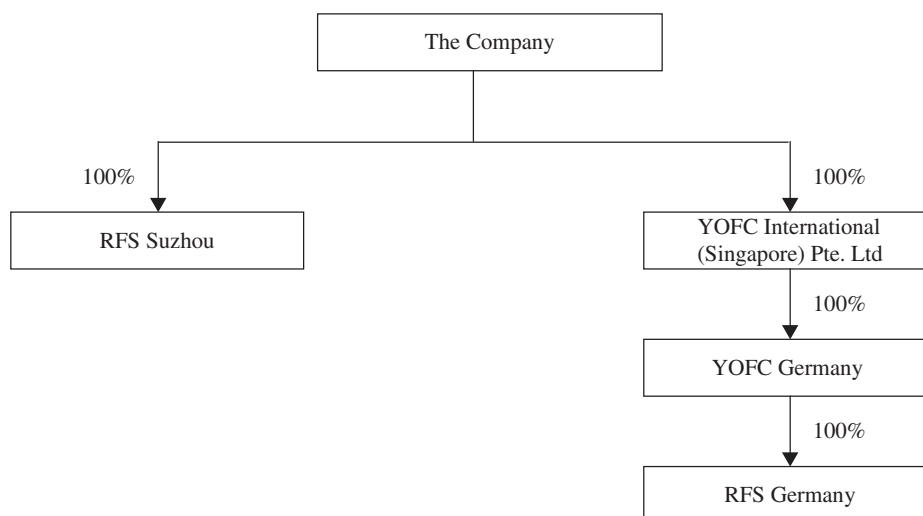
Upon Closing, RFS Germany and RFS Suzhou will be wholly-owned by the Company and their financial results will be consolidated into the financial statements of the Group.

Set out below is the simplified shareholding relationship before and after the completion of the Cable Business Acquisition.

Before completion of the Cable Business Acquisition



After completion of the Cable Business Acquisition



LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

LISTING RULES IMPLICATIONS

Since one or more of the applicable percentage ratios under the Listing Rules in respect of the Cable Business Acquisition exceed 5% but are all less than 25%, the Cable Business Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, RFS Holding is a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules by virtue of the fact that (i) RFS Holding is owned as to 100% by Nokia Shanghai; (ii) Nokia Shanghai is owned as to 49.99% by China Huaxin and 50.01% by independent third parties; and (iii) China Huaxin is a substantial shareholder of the Company who holds approximately 23.73% of the total issued share capital of the Company. Accordingly, the transactions contemplated under the Share Purchase Agreement constitute connected transactions of the Company under the Listing Rules. As one or more of the applicable percentage ratios with respect to the Cable Business Acquisition exceed 5%, the Cable Business Acquisition is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Bingsheng Teng, Mr. Song Wei, Dr. Wong Tin Yau, Kelvin and Ms. Li Chang'ai, has been formed to advise the Independent Shareholders as to (i) whether the entering into of the Share Purchase Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; (ii) whether the terms of the Share Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable as far as the Company and the Independent Shareholders are concerned; and (iii) how the Independent Shareholders should vote in respect of the proposed resolution at the EGM to approve the entering into of the Share Purchase Agreement and the transactions contemplated thereunder, taking into account the recommendation from the Independent Financial Adviser.

THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the entering into of the Share Purchase Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; (ii) whether the terms of the Share Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable as far as the Company and the Independent Shareholders are concerned; and (iii) how the Independent Shareholders should vote in respect of the proposed resolution at the EGM to approve the entering into of the Share Purchase Agreement and the transactions contemplated thereunder.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We acted as the independent financial adviser for the Company with regards to its renewal of continuing connected transactions with Yangtze Optical Fibre and Cable (Shanghai) Co., Ltd. and the Prysmian Group (being Prysmian S.p.A. and its associates), details of which were set out in the circular of the Company dated 20 January 2023 (the “**January 2023 Service**”). Save for the aforesaid transaction, we have not acted as the independent financial adviser or financial adviser in relation to any transactions of the Company in the last two years prior to the date of the Circular. We were the independent financial adviser in relation to the January 2023 Service as we were independent when none of the circumstances set out in Rule 13.84 of the Listing Rules exist as at the time of making the declaration required by Rule 13.85(1) of the Listing Rules. We act as Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Cable Business Acquisition as contemplated under the Share Purchase Agreement since we are independent when none of the circumstances set out in Rule 13.84 of the Listing Rules exist as at the time of making the declaration required by Rule 13.85(1) of the Listing Rules. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the transactions contemplated under the Share Purchase Agreement is at market level and not conditional upon successful passing of the resolution, and that our engagement is on normal commercial terms, we are independent of the Company.

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others, (i) the Share Purchase Agreement; (ii) the annual report of the Company for the year ended 31 December 2022 (the “**2022 Annual Report**”); (iii) the interim results announcement of the Company for the six months ended 30 June 2023 (the “**2023 Interim Results Announcement**”); (iv) the unaudited consolidated management account of the Target Group Companies as at 30 June 2023; and (v) other information as set out in the Circular.

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have assumed that all the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and will continue to be so up to the date of the EGM. The Directors collectively and individually accept full responsibility, including particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that we have been provided with, and have reviewed, sufficient information to reach an informed view and provide a reasonable basis for our opinion. We have not, however, conducted an independent investigation into the business, financial conditions and affairs or future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background information of the Group

1.1 Principal business of the Group

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

1.2 Financial information of the Group

Set out below is a table summarising certain key financial information of the Group extracted from the 2022 Annual Report and the 2023 Interim Results Announcement.

Extract of consolidated income statement

	For the year ended		For the six months ended	
	31 December		30 June	
	2021	2022	2022	2023
	RMB	RMB	RMB	RMB
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Operating income	9,536,075,578	13,830,318,400	6,391,374,976	6,915,183,145
Gross profit	1,871,847,237	3,243,227,123	1,435,602,360	1,804,396,482
Profit for the year/period				
attributable to the Shareholders	708,506,406	1,166,998,457	525,393,238	607,014,926

Extract of consolidated balance sheet

	As at 31 December		As at
	2021	2022	30 June
	RMB	RMB	RMB
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Total assets	19,478,649,093	28,203,306,647	31,039,024,348
<i>Cash at bank and on hand</i>	<i>2,771,270,979</i>	<i>4,323,893,889</i>	<i>5,193,754,284</i>
Total liabilities	8,893,621,576	13,666,245,433	16,127,288,607
Total equity attributable to the Shareholders	9,781,997,943	10,144,245,884	10,510,256,814

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Operating income

According to the 2022 Annual Report, the Group's operating income reached its highest historical level of approximately RMB13,830.3 million in 2022, representing a significant increase of approximately 45.0% from approximately RMB9,536.1 million in 2021. Such significant increase was attributable to improvement in revenue generated from all product segments as the Company continued with its in-depth implementation of internationalisation and diversification strategies, as well as optimisation of its product mix. For optical fibres and optical fibre preforms segment, the revenue increased by approximately 30.7% from approximately RMB2,918.5 million in 2021 to approximately RMB3,814.8 million in 2022. For optical fibre cables segment, the revenue increased by approximately 47.9% from approximately RMB3,920.8 million in 2021 to approximately RMB5,799.1 million in 2022. For optical components and modules segment, the revenue increased by approximately 120.7% from approximately RMB650.4 million in 2021 to approximately RMB1,435.4 million in 2022. For others segment, the revenue increased by approximately 35.9% from approximately RMB2,046.4 million in 2021 to approximately RMB2,780.9 million in 2022, which was mainly due to the substantial increase in revenue generated from power cable. We understand from the Management that the Group's revenue generated from power cable was mainly derived in the PRC.

The Group continued to deliver improvement in operating income during the six months ended 30 June 2023, which increased by approximately 8.2% from approximately RMB6,391.4 million during the six months ended 30 June 2022 to approximately RMB6,915.2 million during the six months ended 30 June 2023.

Gross profit

In line with the increase in operating income, the Group's gross profit increased by approximately 73.3% from approximately RMB1,871.8 million in 2021 to approximately RMB3,243.2 million in 2022, representing gross profit margins of approximately 19.6% and 23.5% respectively. Such increase in gross profit margin was mainly due to the Group's improvement in manufacturing efficiency as well as increase in unit prices of main products in 2022.

During the six months ended 30 June 2023, the Group's gross profit increased by approximately 25.7% to approximately RMB1,804.4 million from approximately RMB1,435.6 million during the six months ended 30 June 2022. The Group's gross profit margin continued to increase from approximately 22.5% to approximately 26.1% during the six months ended 30 June 2022 and 2023 respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Profit for the year/period attributable to the Shareholders

As a result of the above, profit attributable to the Shareholders increased significantly by approximately 64.7% from approximately RMB708.5 million in 2021 to approximately RMB1,167.0 million in 2022. Such increase continued in the first half of 2023, which recorded at approximately RMB607.0 million as compared to approximately RMB525.4 million during the same period in 2022.

Total assets

The Group's total assets increased from approximately RMB19,478.6 million as at 31 December 2021 to approximately RMB28,203.3 million as at 31 December 2022, mainly due to the increase in (i) fixed assets from approximately RMB3,763.7 million as at 31 December 2021 to approximately RMB5,749.4 million as at 31 December 2022; (ii) intangible assets from approximately RMB314.5 million as at 31 December 2021 to approximately RMB1,732.4 million as at 31 December 2022; and (iii) accounts receivable from approximately RMB4,160.7 million as at 31 December 2021 to approximately RMB5,035.2 million as at 31 December 2022, which were in line with the Group's business growth. The Group's cash at bank and on hand also increased significantly from approximately RMB2,771.3 million as at 31 December 2021 to approximately RMB4,323.9 million as at 31 December 2022, mainly due to net cash inflow from operating activities (as described above) and financing activities (as elaborated below) of approximately RMB1,594.5 million and RMB1,977.5 million respectively in 2022.

The Group's total assets further increased to approximately RMB31,039.0 million as at 30 June 2023, mainly due to the continued increase in (i) fixed assets to approximately RMB6,905.8 million as at 30 June 2023; and (ii) accounts receivable to approximately RMB5,718.2 million as at 30 June 2023, which were in line with the Group's business growth. The Group's cash at bank and on hand balance further increased to approximately RMB5,193.8 million as at 30 June 2023, mainly due to the net cash inflow from operating activities and financing activities of approximately RMB344.0 million and RMB1,496.4 million respectively in the first half of 2023.

Total liabilities

The Group's total liabilities increased from approximately RMB8,893.6 million as at 31 December 2021 to approximately RMB13,666.2 million as at 31 December 2022, mainly due to the increase in long-term loans from approximately RMB1,289.5 million as at 31 December 2021 to approximately RMB3,951.0 million as at 31 December 2022 since the Group drew down additional loans for acquisitions and operating use in 2022.

The Group's total liabilities further increased to approximately RMB16,127.3 million as at 30 June 2023, mainly due to (i) increase in other payables from approximately RMB641.5 million as at 31 December 2022 to approximately RMB1,763.1 million as at 30 June 2023; (ii) increase in non-current liabilities due within one year from approximately RMB732.9 million as at 31 December 2022 to approximately RMB1,882.4 million as at 30 June 2023; and (iii) further increase in long-term loans to approximately RMB4,217.9 million as at 30 June 2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Total equity attributable to the Shareholders

With the combined effects of the above, total equity attributable to the Shareholders increased from approximately RMB9,782.0 million as at 31 December 2021 to approximately RMB10,144.2 million and RMB10,510.3 million as at 31 December 2022 and 30 June 2023 respectively.

Such improvement in the overall financial structure of the Group was generally in line with the Group's business growth and profitability recorded.

1.3 Outlook of the Group

As noted in the Company's 2022 Annual Report and 2023 Interim Results Announcement, with the continuous implementation of national policies such as "Strong Cyber Power" (網絡強國), "Digital China" (數字中國) and "Eastern Data Western Computing" (東數西算) in 2022 and the first half of 2023, the PRC's digital economy and real economy continued to deepen their integration, and the construction of new information infrastructure, including 5G and gigabit optical network, has achieved milestone progress. In March 2023, the Central Committee of the Communist Party of China (中共中央) and the State Council (國務院) issued the Overall Layout Plan for the Construction of Digital China (《數字中國建設總體佈局規劃》), proposing key measures such as opening up the main arteries of digital economy infrastructure and unblocking the circulation of data resources, laying the foundation for the PRC's overall digital economy development. The Group, being a leading player in the industry, determined to seize the opportunity of market recovery and gain leading shares in telecommunication operators' centralised procurements, so as to achieve rapid growth in operating income and profit.

In 2023, the Management expects that the global telecommunication industry will continue to grow and the Group will continue to implement its development strategies, including (i) to optimise product mix, increase efficiency and lower costs; (ii) to diversify, integrate and achieve synergies among various businesses; (iii) to strengthen internationalisation so as to seize growth opportunities in overseas markets; and (iv) to improve smart manufacturing ability, strengthen investment in research and development and develop new products and materials, so as to achieve sustainable growth.

In view of the solid financial position of the Group as described above, we believe that it has provided the Group with the foundation and flexibility to conduct merger and acquisition activities in achieving its development strategies and strive for further growth, which in turn, is in the interests of the Company and the Shareholders as a whole.

2. Background information of the Target Group Companies

2.1 Principal businesses of the Target Group Companies

RFS Germany

RFS Germany is a company with limited liability incorporated in Germany and is principally engaged in the development and production of power cables for sales across Europe, Middle East and Africa ("EMEA"). Its products include a wide range of power cables including radio frequency cable, leaky cable and hybrid cable. These power cables are mainly used in areas such as in-tunnel traffic, broadcasting, outdoor and in-building

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

communications and network. As at the Latest Practicable Date, RFS Germany was owned as to 100% by RFS Holding, and the sales team and research and development team of the Target Group Companies are mainly based in Germany.

RFS Suzhou

RFS Suzhou is a limited liability company incorporated in the PRC. RFS Suzhou is principally engaged in the manufacturing of networking equipment for the base stations supporting third-generation and next generation mobile communication system and other connectivity systems for the Asia-Pacific market, as well as providing wide range of other related services and technical support. As at the Latest Practicable Date, RFS Suzhou was owned as to 100% by RFS Holding, and mainly acted as the production base for the Target Group Companies.

2.2 Financial information of the Target Group Companies

Set out below is a table summarising certain key financial information of the Target Group Companies as at 30 June 2023.

Extract of consolidated balance sheet

	As at 30 June 2023 <i>EUR'000</i> <i>(unaudited)</i>
Total assets	84,808
– Cash and bank balances	5,032
– Restricted cash	1,339
– Accounts receivable	18,788
– Inventory	37,686
– Other receivable	3,154
Total liabilities	66,500
– Accounts payable	27,619
– Other payable	6,688
Total equity	18,300

We understand from the Management that the Target Group Companies had been undergoing reorganisation to carve out businesses that are unrelated to the Cable Business Acquisition, which was completed in May 2023. As such, analysis and discussions relating to Target Group Companies' financials will be focused on 30 June 2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out above, total assets of the Target Group Companies as at 30 June 2023 amounted to approximately EUR84.8 million, which consisted mainly of (i) inventory amounted to approximately EUR37.7 million; and (ii) accounts receivable and other receivable of approximately EUR21.9 million. Cash and bank balances and restricted cash of the Target Group Companies amounted to approximately EUR6.4 million as at 30 June 2023.

Total liabilities of the Target Group Companies as at 30 June 2023 amounted to approximately EUR66.5 million; amongst which, accounts payable and other payable amounted to approximately EUR34.3 million. Other liabilities of the Target Group Companies as at 30 June 2023 were mainly related to pension reserve and lease liabilities. As at 30 June 2023, the Target Group Companies did not have any outstanding debts. According to the Share Purchase Agreement, all outstanding debts (if any) of the Target Group Companies will be settled on or before the Closing Date.

As a result of the above, total equity of the Target Group Companies as at 30 June 2023 amounted to approximately EUR18.3 million.

From information provided by the Management, we understand that the Target Group Companies generated revenue of approximately EUR96.8 million in 2022, where majority of which were being generated from the EMEA region. In terms of bottom-line, we understand that the Target Group Companies were loss-making during the latest financial year, which was mainly due to the impact of price fluctuations in copper (being a major raw material) and in turn, led to an increase in costs of production. Such adverse impact was further augmented by (i) the COVID-19 pandemic; (ii) assets impairment loss; and (iii) expenses incurred in relation to deregistration of subsidiaries.

3. Principal terms of the Share Purchase Agreement

On 1 August 2023 (Central European Time), the Company and YOFC Germany (an indirect wholly-owned subsidiary of the Company) entered into the Share Purchase Agreement with RFS Holding, pursuant to which RFS Holding conditionally agreed to sell, and (i) YOFC Germany conditionally agreed to purchase the entire equity interest in RFS Germany; and (ii) the Company conditionally agreed to purchase the entire equity interest in RFS Suzhou, at the Consideration of an amount equal to the Base Consideration of EUR7,100,000 after application of adjustments. Based on the Target Group Companies' financials as at 30 June 2023, the total Consideration (for illustration) would be amounted to approximately EUR1,106,000. The Consideration shall be settled in cash funded by the Group's internal resources.

For details of the principal terms of the Share Purchase Agreement, please refer to the "Letter from the Board" of the Circular. When considering the fairness and reasonableness of the terms of the Share Purchase Agreement, we have taken into account the following factors.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3.1 *The Consideration*

As set out in the “Letter from the Board” of the Circular, the Consideration shall be determined in accordance to the following formula.

Base Consideration

The Base Consideration for the Cable Business Acquisition payable by the Company and YOFC Germany under the Share Purchase Agreement is EUR7,100,000.

Adjustment to the Base Consideration

The total Consideration payable by the Company and YOFC Germany to RFS Holding for the Cable Business Acquisition shall be determined according to the following price adjustment mechanism:

The total Consideration = A + B – C + D – E – F – G, where:

A = the Base Consideration, being EUR7,100,000.

B = the aggregate amount of cash and cash equivalents of the Target Group Companies as per the Share Purchase Agreement, if any, on the Closing Date.

C = the aggregate amount of financial debt obligations (including interest accrued, if any) of the Target Group Companies as per the Share Purchase Agreement, if any, on the Closing Date.

D = the balance sheet items of the Target Group Companies which are to remain economically with RFS Holding and to be taken into account as increase items as per the Share Purchase Agreement on the Closing Date (being the aggregate of accounts receivable and other receivable) (the “**Balance Sheet Increase Items**”).

E = the balance sheet items of the Target Group Companies which are to remain economically with RFS Holding and to be taken into account as deductibles as per the Share Purchase Agreement on the Closing Date (being the aggregate of accounts payable and other payable) (the “**Balance Sheet Deductible Items**”).

F = EUR34,200,000 less the total net inventory value of the Target Group Companies (after inter-company elimination) as per the Share Purchase Agreement on the Closing Date.

G = the amount of Cash Pool Payable as per the Share Purchase Agreement on the Closing Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the unaudited consolidated management account of the Target Group Companies as at 30 June 2023, the total Consideration (for illustration) payable under the Share Purchase Agreement would be approximately EUR1,106,000. Details are illustrated below:

		<i>EUR'000</i>
(A)	Base Consideration	7,100
(B)	<i>Plus:</i> Aggregate amount of cash and cash equivalents as at 30 June 2023	6,371
(C)	<i>Less:</i> Aggregate amount of financial debts as at 30 June 2023	–
(D)	<i>Plus:</i> Balance Sheet Increase Items as at 30 June 2023 (being the aggregate of accounts receivable and other receivable) ⁽¹⁾	21,942
(E)	<i>Less:</i> Balance Sheet Deductible Items as at 30 June 2023 (being the aggregate of accounts payable and other payable) ⁽²⁾	(34,307)
(F)	<i>Less:</i> Amount of total net inventory value as at 30 June 2023 which falls short of EUR34,200,000	–
(G)	<i>Less:</i> Amount of Cash Pool Payable as at 30 June 2023	–
	Total Consideration:	<u>1,106</u>

Notes:

1. Out of the Balance Sheet Increase Items of approximately EUR21.9 million as at 30 June 2023, approximately EUR18.8 million was accounts receivables; and the remaining approximately EUR3.1 million was other receivables, which mainly consisted of advance payment to supplier.
2. Out of the Balance Sheet Deductible Items of approximately EUR34.3 million as at 30 June 2023, approximately EUR27.6 million was accounts payables; and the remaining approximately EUR6.7 million was other payables, which mainly consisted of payroll payable, tax payable and advance payment received.

We have discussed with the Management and understand that the formula in deriving at the Consideration payable in essence takes into account the value of the Target Group Companies after arm's length negotiations between the Group and RFS Holding, and adjusted by the net cash and certain balance sheet items of the Target Group Companies. We understand that Cash Pool Payable represents certain payable from RFS Holding to the Target Group Companies resulted from a cash pool system operated by RFS Holding with its subsidiaries, where such arrangement will be terminated on or before the completion of Closing. With reference to the aforesaid formula in deriving at the total Consideration, we are of the view that the adjustments made to the Base Consideration, which takes into account the balance sheet positions of the Target Group Companies on the Closing Date, is fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

To assess the fairness and reasonableness of the Consideration, we have identified listed companies engaging in similar business of the Target Group Companies (the “**Comparable Companies**”) and analysed their price-to-net asset value or price-to-book ratio (the “**P/B Ratio(s)**”), which is a commonly used valuation yardstick in conducting market comparable analysis. Since the Target Group Companies are loss-making during the most recent financial year, price-to-earning ratio is not applicable.

In selecting the Comparable Companies, our selection criteria focused on companies that are (i) listed on the Stock Exchange; and (ii) principally engaged in research, development, manufacturing and sales of power cable and networking equipment for base stations. Considering the Company is listed on the Stock Exchange and the Target Group Companies are principally engaged in the aforesaid businesses, we are of the view that the selection criteria for Comparable Companies is fair and representative.

Independent Shareholders should note that despite of the aforesaid criteria, the business and scale of operations of the Target Group Companies are not exactly the same as those of the Comparable Companies, and we have not conducted any in-depth investigation into the business and operations of the Comparable Companies. For instance, (i) in terms of scale of operations, the net asset attributable to equity holders of the Comparable Companies ranged from approximately HK\$610.2 million to HK\$3,828.0 million as illustrated below, while the net asset attributable to equity holders of the Target Group Companies amounted to approximately EUR18.3 million (equivalent to approximately HK\$152.8 million); and (ii) in terms of business, based on publicly available information and as summarised below, we noted that certain businesses of the Comparable Companies, such as irradiation processing and the manufacturing and sales of high temperature resistant cables, have not been engaged by the Target Group Companies.

Notwithstanding the above, considering both the Comparable Companies and the Target Group are principally engaged in the same business sector (i.e. majority of the revenue are related to the manufacturing and sales of power cable and networking equipment for base stations), we believe that the Comparable Companies selected are appropriate to serve as a benchmark reference for comparable analysis purpose, which reflects the prevailing market sentiment towards this business sector.

The Comparable Companies below have been selected based on the above criteria, and have been identified through our research using public information. We believe it is an exhaustive list based on these criteria.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Stock code	Company name	Principal businesses	Net asset attributable to equity holders ⁽¹⁾ (HK million)	Market capitalisation ⁽²⁾ (HK million)	P/B Ratio ⁽³⁾ (times)
1720	Putian Communication Group Limited	Putian Communication Group Limited is a communication cable manufacturer and structured cabling system product provider.	616.0	63.8	0.10
947	MOBI Development Co., Ltd.	MOBI Development Co., Ltd. is an investment holding company principally engaged in the manufacture and sales of wireless communication antennas and base station radio frequency subsystems.	610.2	201.4	0.33
1202	Chengdu SIWI Science and Technology Company Limited	Chengdu SIWI Science and Technology Co Ltd is a PRC-based communication cable manufacturer. The company is principally engaged in the technology research and development, product manufacturing, sales and service of electric wires and cables, optical fiber and cables, wire and cable specific materials, irradiation processing, cable accessories, special equipment, equipment and different kinds of information industrial products devices and equipment.	816.3	272.0	0.33
1300	Trigiant Group Limited	Trigiant Group Limited is an investment holding company principally engaged in the manufacture and sales of feeder cable and related products for mobile communications and telecommunication equipment.	3,828.0	859.9	0.22

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Stock code	Company name	Principal businesses	Net asset attributable to equity holders ⁽¹⁾ (HK million)	Market capitalisation ⁽²⁾ (HK million)	P/B Ratio ⁽³⁾ (times)
1085	Hengxin Technology Ltd.	Hengxin Technology Limited is an investment holding company principally engaged in the production of radio frequency coaxial cables for mobile communications. The company is also engaged in the research, design, development and manufacture of telecommunications and technological products, mobile communications systems exchange equipment, as well as antennas and high temperature resistant cables.	2,005.7	764.4	0.38
				Maximum	0.38
				Minimum	0.10
				Mean	0.27
				Median	0.33
N/A	Target Group Companies		152.8	N/A	0.06⁽⁴⁾

Source: The website of the Stock Exchange (www.hkex.com.hk)

Notes:

- The net asset attributable to equity holders of the Comparable Companies are extracted from their respective latest published annual reports or annual results announcements prior to the Latest Practicable Date. Where applicable, for illustration purpose, (i) RMB has been translated into HK\$ with exchange rate of RMB1 to HK\$1.08; and (ii) EUR has been translated into HK\$ with exchange rate of EUR1 to HK\$8.35.
- The market capitalisation of the Comparable Companies are calculated based on their respective closing prices multiplied by the total number of issued shares as at the Latest Practicable Date.
- P/B Ratios of the Comparable Companies are calculated based on their respective market capitalisation as at the Latest Practicable Date (calculated based on their respective closing prices multiplied by the total number of issued shares as at the Latest Practicable Date), divided by the net asset attributable to equity holders extracted from their respective latest published annual reports or annual results announcements prior to the Latest Practicable Date. Where applicable, for illustration purpose, RMB has been translated into HK\$ with exchange rate of RMB1 to HK\$1.08.
- The implied P/B Ratio of the Target Group Companies is calculated based on the total Consideration of EUR1,106,000 (based on the Target Group Companies' financials as at 30 June 2023) and the net asset attributable to equity holder as at 30 June 2023 of approximately EUR18.3 million.

As shown in the table above, the total Consideration translates into an implied P/B Ratio of the Target Group Companies of approximately 0.06 times, which is significantly lower than the P/B Ratio range of the Comparable Companies from approximately 0.10 times to 0.38 times, as well as the mean and median of the Comparable Companies of approximately 0.27 times and 0.33 times respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the above, we are of the view that the Consideration is fair and reasonable as far as the Company and the Independent Shareholders are concerned.

3.2 Cash settlement

According to the Share Purchase Agreement, the Consideration shall be settled by cash in two instalments, being 50% on the Closing Date and the remaining 50% upon availability of accounts of the Target Group Companies as at the Closing Date (within three months after the Closing Date). For details of the payment arrangement, please refer to the paragraph headed “Payment arrangement” in the “Letter from the Board” of the Circular.

We noted that the Group had cash at bank and on hand balance of approximately RMB5,193.8 million as at 30 June 2023, where the total Consideration of approximately EUR1,106,000 (equivalent to approximately RMB9.2 million) (based on Target Group Companies’ financials as at 30 June 2023) represents only approximately 0.2% of the aforesaid balance, which does not have significant impact to the Group.

3.3 Section conclusion

Having considered the factors above, we are of the view that the terms of the Share Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable.

4. Reasons for and benefits of the Cable Business Acquisition

As set out in the paragraph headed “Reasons for and benefits of the Cable Business Acquisition” in the “Letter from the Board” of the Circular, the Cable Business Acquisition would enable the Group to optimise its production capacity in power cable manufacturing, promote product diversification as well as develop customer base in the international market. The Management believes that the entering into of the Share Purchase Agreement will benefit the expansion of the Group’s business.

In this regard, as noted from the 2022 Annual Report, diversification and to strengthen internationalisation are two of the development strategies of the Group. Considering the principal businesses of the Group, RFS Germany and RFS Suzhou as elaborated in the paragraphs headed “1.1 Principal business of the Group” and “2.1 Principal businesses of the Target Group Companies”, we concur with the Management that the Group may achieve synergistic effects through the Cable Business Acquisition and may benefit from the diversification of product types, established brand names, technologies and international presence of the Target Group Companies in the manner as illustrated below:

- **know-hows and products:** we noted that the Target Group Companies possess 91 patents, 18 know-hows and 226 trademarks relating to their power cable business. Through the Cable Business Acquisition, the Group can acquire and leverage on these established technologies to enhance and improve its current power cable products portfolio. For example, we understand from the Management that the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Target Group Companies possess mature technology in leaky cables, which are mainly adopted in the in-tunnel environment. In this regard, the Group can leverage on such technology to upgrade and enhance competitiveness of its leaky cables. In addition, as elaborated in the paragraph headed “2.1 Principal businesses of the Target Group Companies” above, the Target Group Companies currently have a wide range of power cables for applications in various areas; the Group can potentially achieve cross-sale of power cable products of the Group and the Target Group Companies to their respective customers;

- ***customers and market coverage***: the Target Group Companies have developed its brand names and customer base in the EMEA region for the sales of various power cables. We understand from the Management that the Group’s coverage of its power cable business is mainly in the PRC. Therefore, the Cable Business Acquisition enables the Group to expand into the international power cable market and gain access to overseas customers;
- ***competitiveness of the Group’s current products***: through the Cable Business Acquisition, the Group is expected to obtain the Target Group Companies’ established technologies in power cables as detailed above. The Group can utilise these technologies to upgrade and improve its current production know-how and/or products portfolio, or even develop new types of power cables to meet potential unmet demands in the market. These in turn can enhance the Group’s competitiveness in the domestic power cable market; and
- ***operational efficiency***: as adversely impacted by the COVID-19 pandemic, we understand from the Management that the utilisation rates of production facilities of the Target Group Companies had not been high during the past few years. Through the Cable Business Acquisition, the Group can consolidate the power cable production resources to improve operational efficiency. Further, the Group can also utilise the patents and know-hows currently owned by the Target Group Companies in its production. In addition, the Group can consolidate the human resources (i.e. sales team) of the Group and the Target Group Companies to enhance operational efficiency.

Having considered the above, it is expected that the Cable Business Acquisition will lead to further growth of the Group’s others segment, which had grown significantly in 2022 due to revenue generated from power cable as discussed in the paragraph headed “1.2 Financial information of the Group” above. We considered that the Cable Business Acquisition is in line with the Group’s development strategies and is in the ordinary and usual course of business of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Although the Target Group Companies were loss-marking in the latest financial year and its short-term contribution to the Group following the Cable Business Acquisition may not be substantial, having taken into account (i) the strategic value and synergistic effects with the Group's power cable business as illustrated above that may potentially lead to further growth and enhancement in profitability; (ii) the Consideration is fair and reasonable as discussed in the paragraph headed "3.1 The Consideration" above; and (iii) the Cable Business Acquisition enables the Group to benefit from the continued growth in the global power cable market as digitalisation, 5G densification and upgrade of wireless network etc. remain to be the vital trends in major economies, we are of the view that the Cable Business Acquisition is, on balance, beneficial to the Company and the Shareholders as a whole.

Overall, we concur with the Management that the entering into of the Share Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

5. Potential financial effects as a result of the Cable Business Acquisition

Upon completion of the Cable Business Acquisition, RFS Germany and RFS Suzhou will become subsidiaries of the Company and their financial results will be consolidated into the financial statements of the Group.

As discussed in the paragraph headed "3.2 Cash settlement" above, the total Consideration of approximately EUR1,106,000 (based on Target Group Companies' financials as at 30 June 2023) will be settled in cash. As such, it is expected that the Group's cash at bank and on hand balance will decrease by the same amount as a result of the Cable Business Acquisition, which is minimal as compared to the Group's cash at bank and on hand balance as at 30 June 2023.

RECOMMENDATION

Having considered the above principal factors, we are of the view that (i) the entering into of the Share Purchase Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Share Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable as far as the Company and the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the proposed resolution at the EGM to approve the entering into of the Share Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Altus Capital Limited

Jeanny Leung
Responsible Officer

Ms. Jeanny Leung (“Ms. Leung”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions.

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	991,450 ⁽²⁾	0.13%	0.24%	Long position
Mr. Xiong Xiangfeng	Beneficial owner	A Share	297,450 ⁽²⁾	0.04%	0.07%	Long position
Mr. Song Wei	Beneficial owner	H Share	200,000	0.03%	0.06%	Long position
Supervisor						
Mr. Xiong Zhuang	Beneficial owner	A Share	159,750 ⁽²⁾	0.02%	0.04%	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 Supervisors. 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 Specific Company
Mr. Ma Jie	A director of the board and the general manager of China Huaxin and several positions in certain subsidiaries of China Huaxin
Mr. Guo Tao	The deputy general manager and secretary to the board of China Huaxin and several positions in certain subsidiaries of China Huaxin
Mr. Philippe Claude Vanhille	The executive vice-president of the telecom business of the Prysmian Group, an executive director of Draka Comteq B.V. (“ Draka ”) and several positions in certain subsidiaries of Prysmian S.p.A.
Mr. 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 Specific Company
Mr. Iuri Longhi	The chief strategy officer of Prysmian S.p.A.
Mr. Xiong Xiangfeng	The chairman of the board and president of Wuhan Yangtze Communications Industry Group Co., Ltd. (武漢長江通信產業集團股份有限公司) (“ Yangtze Communications ”)
Mr. Mei Yong	The board secretary, 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

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.

3. COMPETING INTEREST

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, Mr. Pier Francesco Facchini and Mr. Iuri Longhi. Mr. Philippe Claude Vanhille has been serving as the executive vice-president of telecom business of the Prysmian Group and is primarily responsible for its global telecom business. Mr. Pier Francesco Facchini is currently the chief financial officer, the IT director and an executive director of Prysmian S.p.A.. Mr. Iuri Longhi is the chief strategy officer 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. Apart from Prysmian S.p.A., 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
	Prysmian Cables and Systems USA LLC	Non-executive Director
Mr. Pier Francesco Facchini	Draka Comteq France S.A.S.	President of Comité de Contrôle
	Prysmian Câbles et Systèmes France S.A.S.	President of Comité de Contrôle
	Silec Cable S.A.S.	President of Comité de Contrôle

Name of Director	Name of Company	Nature of Interests
	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 had any direct or indirect interest in any assets which had since December 31, 2022, 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 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 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

Altus 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 September 20, 2023 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
Altus Capital Limited	a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

As at the Latest Practicable Date, Altus 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, Altus Capital was not interested, directly or indirectly, in any assets which had since December 31, 2022, being the date to which the latest published audited accounts of the Group were made up, been acquired or disposed of by or leased to, or proposed to be acquired or disposed of by or leased to, any member of the Group.

7. MATERIAL ADVERSE CHANGE

Save as publicly disclosed by the Company on the HKEXnews website on or before the date of this circular, as at the Latest Practicable Date, the Directors confirm that they were not aware of any material adverse change in the financial or trading positions of the Group since December 31, 2022 (being the date to which the latest published audited accounts of the Group were made up).

8. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.yofc.com for a period of 14 days from the date of this circular:

- (a) the Share Purchase Agreement;
- (b) the letter from the Independent Board Committee dated September 20, 2023, the text of which is set out on page 22 of this circular;
- (c) the letter from the Independent Financial Adviser dated September 20, 2023, the text of which is set out on pages 23 to 41 of this circular;
- (d) the consent letter from Altus Capital referred to in the paragraph headed “Expert and Consent” in this Appendix I; and
- (e) 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (c) The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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 EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM” or the “Meeting”) of Yangtze Optical Fibre and Cable Joint Stock Limited Company* (the “Company”) will be held on Friday, October 13, 2023 at 2:00 p.m. at Multi-functional Meeting Room, 2/F, YOFC Headquarters Building, No. 65 Guanggu Chuangye Street, East Lake High-tech Development Zone, Wuhan, Hubei Province, PRC, for the purpose of considering and if thought fit, passing the following resolution. In this notice, unless the context otherwise requires, terms used herein shall have the same meanings as defined in the Company’s circular dated September 20, 2023 (the “Circular”):

ORDINARY RESOLUTION

1. **THAT** the terms of the Share Purchase Agreement dated August 1, 2023 (Central European Time) entered into between the Company and YOFC Germany, as purchasers, and RFS Holding, as seller, in relation to the acquisition of the entire equity interest in RFS Germany and RFS Suzhou and the transactions contemplated thereunder be and are hereby ratified, approved and confirmed; and any one or more Director(s) be and is/are hereby authorized to implement and take all steps and do all acts and things and execute all such documents (including under seal, where applicable) which he/she/they consider(s) necessary, desirable or expedient to give effect to the Share Purchase Agreement and the transactions contemplated thereunder and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interests of the Company and its Shareholders as a whole.

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, September 20, 2023

* For identification purpose only

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

(1) Circular

Details of the above proposals and resolutions to be considered at the EGM are set out in the circular of the Company dated September 20, 2023 (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 EGM

Holders of H shares of the Company (“**H Shares**”) are advised that the register of members will be closed from Tuesday, October 10, 2023 to Friday, October 13, 2023 (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, October 13, 2023 are entitled to attend the EGM. Holders of H Shares who wish to attend the EGM but have not registered the transfer documents are required to deposit the transfer document together with the relevant share certificates at the H Share registrar of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, at or before 4:30 p.m. on Monday, October 9, 2023.

(3) Proxy

Shareholders entitled to attend and vote at the EGM 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 EGM (i.e. not later than 2:00 p.m. on Thursday, October 12, 2023) or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude a shareholder from attending and voting in person at the EGM if he so wishes, but in such event the instrument appointing a proxy shall be deemed to be revoked. The H Share registrar of the Company is Tricor Investor Services Limited, whose address is at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

(4) Joint holder of shares

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

(5) Voting by poll

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

(6) Other issues

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

The EGM starts at 2:00 p.m..

Registration for admission to the EGM will take place from 1:00 p.m. to 2:00 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; Mr. Ma Jie, Mr. Guo Tao, Mr. Philippe Claude Vanhille, Mr. Pier Francesco Facchini, Mr. Iuri Longhi, Mr. Xiong Xiangfeng and Mr. Mei Yong, as non-executive Directors; Mr. Bingsheng Teng, Mr. Song Wei, Dr. Wong Tin Yau, Kelvin and Ms. Li Chang'ai, as independent non-executive Directors.