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## **Yangtze Optical Fibre and Cable Joint Stock Limited Company\***

**長飛光纖光纜股份有限公司**

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

**(Stock Code: 6869)**

### **RENEWAL OF THE CONTINUING CONNECTED TRANSACTIONS WITH CHINA HUAXIN GROUP AND NOKIA SHANGHAI GROUP**

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

Reference is made to the announcements of the Company dated January 23, 2020 and March 31, 2020, and the circular of the Company dated May 18, 2020 in relation to the continuing connected transactions between the Group on the one hand and China Huaxin Group and Nokia Shanghai Group, respectively, on the other.

On January 23, 2020, the Company entered into (1) the 2020 China Huaxin Framework Agreement with China Huaxin for a term of one year commencing from January 23, 2020 to regulate the sales and purchase transactions with China Huaxin Group and (2) the 2020 Nokia Shanghai Purchase Framework Agreement with Nokia Shanghai for a term of one year commencing from January 23, 2020, to regulate the purchase transactions with Nokia Shanghai Group.

On March 31, 2020, the Company entered into (1) the Supplemental China Huaxin Framework Agreement with China Huaxin to (i) expand the product coverage under the 2020 China Huaxin Framework Agreement to include the supply of optical telecommunication products and provision of ancillary construction services for wireless network construction under the communication network construction project and (ii) revise the annual cap for the sales transactions with China Huaxin Group for the year ended December 31, 2020; and (2) the Supplemental Nokia Shanghai Purchase Framework Agreement to revise the annual cap for the purchase transactions with Nokia Shanghai Group for the year ended December 31, 2020.

The 2020 China Huaxin Framework Agreement (as supplemented by the Supplemental China Huaxin Framework Agreement) and the 2020 Nokia Shanghai Purchase Framework Agreement (as supplemented by the Supplemental Nokia Shanghai Purchase Framework Agreement) have expired on January 22, 2021. As the Group intends to continue carrying out the transactions contemplated under the 2020 China Huaxin Framework Agreement (as supplemented by the Supplemental China Huaxin Framework Agreement) and the 2020 Nokia Shanghai Purchase Framework Agreement (as supplemented by the Supplemental Nokia Shanghai Purchase Framework Agreement), the Board announces that on January 29, 2021:

\* *For identification purposes only*

- (1) the Company and China Huaxin entered into the 2021 China Huaxin Framework Agreement which contains the same terms as the 2020 China Huaxin Framework Agreement (as supplemented by the Supplemental China Huaxin Framework Agreement) for a term of one year commencing from January 29, 2021, to renew the 2020 China Huaxin Framework Agreement (as supplemented by the Supplemental China Huaxin Framework Agreement); and
- (2) the Company and Nokia Shanghai entered into the 2021 Nokia Shanghai Purchase Framework Agreement which contains the same terms as the 2020 Nokia Shanghai Purchase Framework Agreement (as supplemented by the Supplemental Nokia Shanghai Purchase Framework Agreement) for a term of one year commencing from January 29, 2021, to renew the 2020 Nokia Shanghai Purchase Framework Agreement (as supplemented by the Supplemental Nokia Shanghai Purchase Framework Agreement).

During the period from January 23, 2021 to January 29, 2021, the Group did not have any sales or purchase transaction with China Huaxin Group or Nokia Shanghai Group. The sales and purchase transactions with China Huaxin Group under the 2021 China Huaxin Framework Agreement and the purchase transactions with Nokia Shanghai Group under the 2021 Nokia Shanghai Purchase Framework Agreement are subject to the respective proposed annual caps for the year ending December 31, 2021.

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

Since Nokia Shanghai is an associate of China Huaxin and the Group's transactions with China Huaxin Group and Nokia Shanghai Group, being purchase of goods, are of a similar nature, the purchase transactions with China Huaxin Group as contemplated under the 2021 China Huaxin Framework Agreement and the purchase transactions with Nokia Shanghai Group as contemplated under the 2021 Nokia Shanghai Purchase Framework Agreement will be aggregated and treated as if they were one transaction pursuant to Rules 14A.82(1) and 14A.83 of the Listing Rules. Accordingly, the proposed annual caps in respect of the purchase transactions with each of China Huaxin Group and Nokia Shanghai Group are aggregated, and such aggregate amount in the sum of RMB250,000,000 is used when calculating the relevant percentage ratios under Chapter 14A of the Listing Rules.

Since the highest relevant percentage ratio under the Listing Rules in respect of each of (1) the sales transactions with China Huaxin Group as contemplated under the 2021 China Huaxin Framework Agreement and (2) the purchase transactions with China Huaxin Group and Nokia Shanghai Group as contemplated under the 2021 China Huaxin Framework Agreement and the 2021 Nokia Shanghai Purchase Framework Agreements on an aggregated basis is expected to be more than 0.1% but less than 5.0% on an annual basis, the transactions will be exempt from the circular (including independent financial advice) and independent shareholders' approval requirements but will be subject to the annual reporting and announcement requirements under Chapter 14A of the Listing Rules.

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

### **1.1 Background**

Reference is made to the announcements of the Company dated January 23, 2020 and March 31, 2020, and the circular of the Company dated May 18, 2020 in relation to the continuing connected transactions between the Group on the one hand and China Huaxin Group and Nokia Shanghai Group, respectively, on the other.

On January 23, 2020, the Company entered into (1) the 2020 China Huaxin Framework Agreement with China Huaxin for a term of one year commencing from January 23, 2020 to regulate the sales and purchase transactions with China Huaxin Group and (2) the 2020 Nokia Shanghai Purchase Framework Agreement with Nokia Shanghai for a term of one year commencing from January 23, 2020, to regulate the purchase transactions with Nokia Shanghai Group.

On March 31, 2020, the Company entered into (1) the Supplemental China Huaxin Framework Agreement with China Huaxin to (i) expand the product coverage under the 2020 China Huaxin Framework Agreement to include the supply of optical telecommunication products and provision of ancillary construction services for wireless network construction under the communication network construction project and (ii) revise the annual cap for the sales transactions with China Huaxin Group for the year ended December 31, 2020; and (2) the Supplemental Nokia Shanghai Purchase Framework Agreement to revise the annual cap for the purchase transactions with Nokia Shanghai Group for the year ended December 31, 2020.

The 2020 China Huaxin Framework Agreement (as supplemented by the Supplemental China Huaxin Framework Agreement) and the 2020 Nokia Shanghai Purchase Framework Agreement (as supplemented by the Supplemental Nokia Shanghai Purchase Framework Agreement) have expired on January 22, 2021. As the Group intends to continue carrying out the transactions contemplated under the 2020 China Huaxin Framework Agreement (as supplemented by the Supplemental China Huaxin Framework Agreement) and the 2020 Nokia Shanghai Purchase Framework Agreement (as supplemented by the Supplemental Nokia Shanghai Purchase Framework Agreement), the Board announces that on January 29, 2021:

- (1) the Company and China Huaxin entered into the 2021 China Huaxin Framework Agreement which contains the same terms as the 2020 China Huaxin Framework Agreement (as supplemented by the Supplemental China Huaxin Framework Agreement) for a term of one year commencing from January 29, 2021, to renew the 2020 China Huaxin Framework Agreement (as supplemented by the Supplemental China Huaxin Framework Agreement); and
- (2) the Company and Nokia Shanghai entered into the 2021 Nokia Shanghai Purchase Framework Agreement which contains the same terms as the 2020 Nokia Shanghai Purchase Framework Agreement (as supplemented by the Supplemental Nokia Shanghai Purchase Framework Agreement) for a term of one year commencing from January 29, 2021, to renew the 2020 Nokia Shanghai Purchase Framework Agreement (as supplemented by the Supplemental Nokia Shanghai Purchase Framework Agreement).

During the period from January 23, 2021 to January 29, 2021, the Group did not have any sales or purchase transaction with China Huaxin Group or Nokia Shanghai Group. The sales and purchase transactions with China Huaxin Group under the 2021 China Huaxin Framework Agreement and the purchase transactions with Nokia Shanghai Group under the 2021 Nokia Shanghai Purchase Framework Agreement are subject to the respective proposed annual caps for the year ending December 31, 2021.

## 1.2 Summary of the terms of the 2021 China Huaxin Framework Agreement

On January 29, 2021, the Company entered into the 2021 China Huaxin Framework Agreement with China Huaxin for a term of one year commencing from January 29, 2021, to regulate the sales and purchase transactions with China Huaxin Group. The principal terms of the 2021 China Huaxin Framework Agreement are summarized below:

<b>Date</b>	January 29, 2021
<b>Parties</b>	The 2021 China Huaxin Framework Agreement was entered into between the Company and China Huaxin.
<b>Duration</b>	The 2021 China Huaxin Framework Agreement is valid for a period of one year from January 29, 2021. The parties to the agreement may negotiate to extend the term of the agreement before its expiry.
<b>Nature of Transactions</b>	<p>(1) Sale of optical fibres, optical fibre cables, optical telecommunication products and provision of ancillary construction services</p> <p>To implement the transactions for sales and provision of ancillary construction services contemplated under the 2021 China Huaxin Framework Agreement, a member of China Huaxin Group will place specific purchase orders with the Group each time they source from the Group optical fibres, optical fibre cables, optical telecommunication products and ancillary construction services. A purchase order typically contains terms on product specifications, quantity, scope of services, payment date and method, delivery arrangements, liabilities and warranties. The marketing team of the Company will keep abreast of the pricing information made available to the public by the General Administration of Customs of the PRC from time to time. Such pricing information is usually updated on a monthly basis.</p> <p>(2) Purchases of communication equipment products</p> <p>To implement the purchase transactions contemplated under the 2021 China Huaxin Framework Agreement, the Group will place specific purchase orders with China Huaxin Group each time the Group purchases communication equipment products from China Huaxin Group. A purchase order typically contains terms on product specifications, quantity, payment date and method, delivery arrangements, liabilities and warranties. The marketing team of the Company will keep abreast of the pricing information made available to the public by the General Administration of Customs of the PRC from time to time. Such pricing information is usually updated on a monthly basis.</p>

## Pricing Basis

- (1) The pricing terms of each transaction for sales and provision of ancillary construction services shall be consistent with the following guidelines:
  - (i) the prevailing tender price announced by the local telecommunications operators at the place where the relevant purchaser is located (the “**Local Tender Price**”); or
  - (ii) the latest average export (from China) price made available to the public by the General Administration of Customs of the PRC, at the time of the relevant transaction (the “**Export Price**”),

where neither Local Tender Price nor the Export Price is available, the pricing terms shall be consistent with the prevailing tender price announced by the state-owned telecommunications operators in the PRC (the “**PRC Tender Price**”) and where none of the Local Tender Price, the Export Price or the PRC Tender Price is available or applicable, the price shall be determined on a fair and reasonable basis which is equivalent or comparable to those offered to or quoted by third parties independent of the Company for similar products.

- (2) The pricing terms of each purchase transaction shall be consistent with the following guidelines:
  - (i) the latest average import (into China) price made available to the public by the General Administration of Customs of the PRC (中華人民共和國海關總署) at the time of the relevant transaction (the “**Import Price**”); or
  - (ii) the prevailing tender price announced by the state-owned telecommunications operators in the PRC (the “**Purchase PRC Tender Price**”),

where none of the above is available or applicable, the price shall be determined on a fair and reasonable basis which is equivalent or comparable to those offered to or quoted by third parties independent of the Company for similar products. The Group shall solicit at least two other contemporaneous transactions with unrelated third parties for products in similar quantities and quality to determine if the price and terms offered by China Huaxin Group are fair and reasonable and comparable to those offered by unrelated third parties.

### 1.3 The existing annual cap and historical amount

#### *Sales transactions with China Huaxin Group*

The table below sets out the existing annual cap for the sales transactions under the 2020 China Huaxin Framework Agreement (as supplemented by the Supplemental China Huaxin Framework Agreement) during the year ended December 31, 2020:

**For  
the year ended  
December 31,  
2020  
(RMB' 000)**

Existing annual cap for the sales transaction with China Huaxin Group	600,000
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The table below sets out the historical transaction amounts for the sales transactions under the 2020 China Huaxin Framework Agreement (as supplemented by the Supplemental China Huaxin Framework Agreement) during the year ended December 31, 2020:

**For  
the year ended  
December 31,  
2020  
(RMB' 000)**

Historical transaction amounts received by the Group from the sales transaction with China Huaxin Group	154,275
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#### *Purchase transactions with China Huaxin Group*

The table below sets out the existing annual cap for the purchase transactions under the 2020 China Huaxin Framework Agreement (as supplemented by the Supplemental China Huaxin Framework Agreement) with China Huaxin Group during the year ended December 31, 2020:

**For  
the year ended  
December 31,  
2020  
(RMB' 000)**

Existing annual cap for the purchase transaction with China Huaxin Group	200,000
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The table below sets out the historical transaction amounts for the purchase transactions under the 2020 China Huaxin Framework Agreement (as supplemented by the Supplemental China Huaxin Framework Agreement) with China Huaxin Group during the year ended December 31, 2020:

**For  
the year ended  
December 31,  
2020  
(RMB' 000)**

Historical transaction amounts paid by the Group to China Huaxin Group	91,775
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#### **1.4 Proposed annual caps**

##### ***Sales transactions with China Huaxin Group***

The Board proposes that the below proposed annual cap be set for the transactions for sales transactions with China Huaxin Group under the 2021 China Huaxin Framework Agreement in respect of the year ending December 31, 2021:

**Proposed Annual Cap  
(RMB' 000)**

**For the year ending  
December 31, 2021**

Seller	Purchaser	Goods/Services	
The Group	China Huaxin Group	Optical fibre, optical fibre cables, optical telecommunication products and provision of ancillary construction services	300,000

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

- (i) the historical sales transaction amounts with China Huaxin Group;
- (ii) the projected demand for optical fibre, optical fibre cables, optical telecommunication products and ancillary construction services from China Huaxin Group as indicated by China Huaxin Group to the Company with reference to the scope of work and timeline of the communication network construction projects to be undertaken by China Huaxin Group. The Group has also taken into consideration the delay in progress of the communication network construction projects in 2020 due to the outbreak of the COVID-19 virus and the progress is expected to gradually pick up in 2021; and
- (iii) the price of the optical fibre and optical fibre cables this year which is expected to be of a similar level as 2020.

### ***Purchase transactions with China Huaxin Group***

The Board proposes that the below proposed annual cap be set for the purchase transactions with China Huaxin Group under the 2021 China Huaxin Framework Agreement in respect of the year ending December 31, 2021:

			<b>Proposed Annual Cap (RMB' 000) For the year ending December 31, 2021</b>
<b>Purchaser</b>	<b>Seller</b>	<b>Goods</b>	
The Company	China Huaxin Group	Communication equipment products	100,000

In arriving at the above proposed annual cap, the Company has taken into account (i) the historical purchase transaction amounts with China Huaxin Group; and (ii) the projected demand of the Group to purchase communication equipment products from China Huaxin Group to carry out work under the communication network construction projects in the Philippines and Peru. The Group also taken into consideration the delay in progress of the communication network construction projects in 2020 due to the outbreak of the COVID-19 virus and the progress is expected to gradually pick up in 2021.

**Shareholders should note that the above monetary annual cap should not be construed as an assurance or forecast by the Company of the future revenues of the Group under the terms of the 2021 China Huaxin Framework Agreement.**

### **1.5 Summary of the terms of the 2021 Nokia Shanghai Purchase Framework Agreement**

On January 29, 2021, the Company entered into the 2021 Nokia Shanghai Purchase Framework Agreement with Nokia Shanghai for a term of one year commencing from January 29, 2021 to regulate the purchase transactions with Nokia Shanghai Group. The principal terms of the 2021 Nokia Shanghai Purchase Framework Agreement are summarized below:

<b>Date</b>	January 29, 2021
<b>Parties</b>	The 2021 Nokia Shanghai Purchase Framework Agreement was entered into between the Company and Nokia Shanghai.
<b>Duration</b>	The 2021 Nokia Shanghai Purchase Framework Agreement is valid for a period of one year from January 29, 2021. The parties to the agreement may negotiate to extend the term of the agreement before its expiry.



**Nature of Transactions**      Purchases of communication equipment products

To implement the purchase transactions contemplated under the 2021 Nokia Shanghai Purchase Framework Agreement, the Group will place specific purchase orders with Nokia Shanghai Group each time the Group purchases communication equipment products from Nokia Shanghai Group. A purchase order typically contains terms on product specifications, quantity, payment date and method, delivery arrangements, liabilities and warranties. The marketing team of the Company will keep abreast of the pricing information made available to the public by the General Administration of Customs of the PRC from time to time. Such pricing information is usually updated on a monthly basis.

**Pricing Basis**

The pricing terms of each purchase transaction shall be consistent with the following guidelines:

- (i) the latest average import (into China) price made available to the public by the General Administration of Customs of the PRC (中華人民共和國海關總署) at the time of the relevant transaction (the “**Import Price**”); or
- (ii) the prevailing tender price announced by the state-owned telecommunications operators in the PRC (the “**Purchase PRC Tender Price**”),

where none of the above is available or applicable, the price shall be determined on a fair and reasonable basis which is equivalent or comparable to those offered to or quoted by third parties independent of the Company for similar products. The Group shall solicit at least two other contemporaneous transactions with unrelated third parties for products in similar quantities and quality to determine if the price and terms offered by Nokia Shanghai Group are fair and reasonable and comparable to those offered by unrelated third parties.

## 1.6 The existing annual cap and historical amount

The table below sets out the existing annual cap for the purchase transactions with Nokia Shanghai Group under the 2020 Nokia Shanghai Purchase Framework Agreement (as supplemented by the Supplemental Nokia Shanghai Purchase Framework Agreement) during the year ended December 31, 2020:

	<b>For the year ended December 31, 2020 (RMB' 000)</b>
Existing annual cap for the purchase transaction with Nokia Shanghai Group	400,000

The table below sets out the historical transaction amounts for the purchase transactions with Nokia Shanghai Group under the 2020 Nokia Shanghai Purchase Framework Agreement (as supplemented by the Supplemental Nokia Shanghai Purchase Framework Agreement) during the year ended December 31, 2020:

	<b>For the year ended December 31, 2020 (RMB' 000)</b>
Historical transaction amounts paid by the Group to Nokia Shanghai Group	64,230

## 1.7 Proposed annual cap

The Board proposes that the below proposed annual cap be set for the purchase transactions with Nokia Shanghai Group under the 2021 Nokia Shanghai Purchase Framework Agreement in respect of the year ending December 31, 2021:

<b>Purchaser</b>	<b>Seller</b>	<b>Goods</b>	<b>Proposed Annual Cap (RMB' 000) For the year ending December 31, 2021</b>
The Company	Nokia Shanghai Group	Communication equipment products	150,000

In arriving at the above proposed annual cap, the Company has taken into account (i) the historical purchase transaction amounts with Nokia Shanghai Group; and (ii) the projected demand of the Group to purchase communication equipment products from Nokia Shanghai Group to carry out work under the communication network construction projects in the Philippines and Peru. The Group also taken into consideration the delay in progress of the communication network construction projects in 2020 due to the outbreak of the COVID-19 virus and the progress is expected to gradually pick up in 2021.

Since Nokia Shanghai is an associate of China Huaxin and the Group's transactions with China Huaxin Group and Nokia Shanghai Group, being purchase of goods, are of a similar nature, the purchase transactions with China Huaxin Group as contemplated under the 2021 China Huaxin Framework Agreement and the purchase transactions with Nokia Shanghai Group as contemplated under the 2021 Nokia Shanghai Purchase Framework Agreement will be aggregated and treated as if they were one transaction pursuant to Rules 14A.82(1) and 14A.83 of the Listing Rules. Accordingly, the proposed annual caps in respect of the purchase transactions with each of China Huaxin Group and Nokia Shanghai Group are aggregated, and such aggregate amount in the sum of RMB250,000,000 is used when calculating the relevant percentage ratios under Chapter 14A of the Listing Rules.

Before the expiry of the above annual caps, the Company will assess the transaction amounts under the 2021 China Huaxin Framework Agreement and the 2021 Nokia Shanghai Purchase Framework Agreement for the remaining term of the respective agreements exceeding December 31, 2021 and will ensure compliance with the applicable requirements under Chapter 14A of the Listing Rules.

## **1.8 Internal control measures**

### ***Sales Transactions with China Huaxin Group***

The Local Tender Price and the PRC Tender Price will be fixed when the overseas telecommunications operators or the state-owned telecommunications operators in the PRC, as the case may be, have completed their bidding process and announced the bidding results. The bidding results including the tender price will be made available to all the bidders participating in the bidding process including the Company. If the Company does not participate in the overseas bidding process, the Company can only gain access to the Local Tender Price through China Huaxin Group when the overseas telecommunications operators do not announce its tender price publicly. The bidding process will only be carried out by the overseas telecommunications operators when they have the business needs and therefore the Local Tender Price will not be announced on a frequent basis. Each of the state-owned telecommunications operators in the PRC will carry out their central bidding processes on a regular basis to determine the volume of optical fibres and optical fibre cables to be purchased from each domestic manufacturer in the PRC. The PRC Tender Price will be announced to industry participants after completion of the central bidding process conducted by the state-owned telecommunications operators in the PRC.

A predetermined price range will be set by the responsible officer for sale of the Company in the first quarter every year by reference to the Local Tender Price and the PRC Tender Price. The price range will also be updated from time to time to incorporate the latest Export Price, which is updated by the General Administration of Customs of the PRC on a monthly basis. The price will be determined within the range representing the highest and the lowest of the Local Tender Price, the PRC Tender Price and the latest Export Price, if available.

For export sales, the actual contract price will be determined with reference to the higher of the Local Tender Price or the Export Price if both the Local Tender Price and the Export Price are available for the specific type of optical fibres or optical fibre cables being sold. Before accepting an export purchase order, the salesman responsible for such order shall make sure that the actual contract price falls within the predetermined price range set by the chief sales officer. Where the price of any order is below the minimum value of the predetermined price range, it shall be approved by the chief sales officer and the general manager of the Company before such order is accepted.

For domestic sales, since the Local Tender Price and the Export Price are not relevant, the price will be determined with reference to the PRC Tender Price. The PRC Tender Price announced by the state-owned telecommunications operators is usually considered as a benchmark for the prices of optical fibres and optical fibre cables to be sold by domestic manufacturers. Before accepting a domestic purchase order, the salesman responsible for such order shall make sure that the actual contract price is at least equal to or higher than the PRC Tender Price.

### ***Purchase Transactions with China Huaxin Group and Nokia Shanghai Group***

The Purchase PRC Tender Price will be fixed when the state-owned telecommunications operators in the PRC have completed their central bidding process and announced the bidding results.

For import purchases, the price will be determined with reference to the Import Price. A predetermined price range will be set by the head of supply chain department of the Company at the beginning of each financial year with reference to the latest available Import Price and such range will be updated from time to time based on the latest information available from the General Administration of Customs of the PRC. Before placing a purchase order, the procurement staff responsible for such order shall make sure that the actual contract price shall fall within such predetermined price range. Where the price of any order is above the maximum value of the predetermined price range, it shall be approved by the head of supply chain department and the president of the Company before such order is placed.

For domestic purchases, the price will be determined with reference to the Purchase PRC Tender Price. The Purchase PRC Tender Price announced by the state-owned telecommunications operators is usually considered as a benchmark for the prices of optical fibres and optical fibre cables to be purchased from other domestic manufacturers. Before placing a domestic purchase order, the procurement staff responsible for such order shall make sure that actual contract price would not be higher than the Purchase PRC Tender Price.

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

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

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

## **2.2 Directors' views**

The Directors (including the independent non-executive Directors) are of the view that all the aforementioned continuing connected transactions, which will be entered into in the ordinary and usual course of business of the Group, are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors (including the independent non-executive Directors) are of the view that the proposed annual caps for the aforementioned continuing connected transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

## **3. INFORMATION ON THE COMPANY, CHINA HUAXIN AND NOKIA SHANGHAI**

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.

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

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

#### 4. LISTING RULES IMPLICATIONS

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

Since Nokia Shanghai is an associate of China Huaxin and the Group's transactions with China Huaxin Group and Nokia Shanghai Group, being purchase of goods, are of a similar nature, the purchase transactions with China Huaxin Group as contemplated under the 2021 China Huaxin Framework Agreement and the purchase transactions with Nokia Shanghai Group as contemplated under the 2021 Nokia Shanghai Purchase Framework Agreement will be aggregated and treated as if they were one transaction pursuant to Rules 14A.82(1) and 14A.83 of the Listing Rules. Accordingly, the proposed annual caps in respect of the purchase transactions with each of China Huaxin Group and Nokia Shanghai Group are aggregated, and such aggregate amount in the sum of RMB250,000,000 is used when calculating the relevant percentage ratios under Chapter 14A of the Listing Rules.

Since the highest relevant percentage ratio under the Listing Rules in respect of each of (1) the sales transactions with China Huaxin Group as contemplated under the 2021 China Huaxin Framework Agreement, and (2) the purchase transactions with China Huaxin Group and Nokia Shanghai Group as contemplated under the 2021 China Huaxin Framework Agreement and the 2021 Nokia Shanghai Purchase Framework Agreements on an aggregated basis is expected to be more than 0.1% but less than 5.0% on an annual basis, the transactions will be exempt from the circular (including independent financial advice) and independent shareholders' approval requirements but will be subject to the annual reporting and announcement requirements under Chapter 14A of the Listing Rules.

#### DEFINITIONS

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

“2020 China Huaxin Framework Agreement”	the sales and purchase framework agreement entered into between China Huaxin and the Company on January 23, 2020 to regulate the sales and purchase transactions of the Group with China Huaxin Group
“2020 Nokia Shanghai Purchase Framework Agreement”	the purchase framework agreement entered into between Nokia Shanghai and the Company on January 23, 2020 to regulate the purchase transactions of the Group with Nokia Shanghai Group
“2021 China Huaxin Framework Agreement”	the sales and purchase framework agreement entered into between China Huaxin and the Company on January 29, 2021 to regulate the sales and purchase transactions of the Group with China Huaxin Group



“2021 Nokia Shanghai Purchase Framework Agreement”	the purchase framework agreement entered into between Nokia Shanghai and the Company on January 29, 2021 to regulate the purchase transactions of the Group with Nokia Shanghai Group
“A Share(s)”	ordinary share(s) of the Company, with a nominal value of RMB1.00 each, which are subscribed for in Renminbi and listed on the Shanghai Stock Exchange (Stock Code: 601869)
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“China Huaxin”	China Huaxin Post and Telecom Technologies Co., Ltd (中國華信郵電科技有限公司), a company established in the PRC on January 21, 1993 and is wholly-owned by China Poly Group Corporation Limited (中國保利集團有限公司). It is a substantial shareholder and a connected person of the Company
“China Huaxin Group”	China Huaxin and its subsidiaries
“Company”	Yangtze Optical Fibre and Cable Joint Stock Limited Company* (長飛光纖光纜股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the A Shares and H Shares of which are listed on Shanghai Stock Exchange and the Main Board of the Stock Exchange, respectively
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“H Share(s)”	overseas listed foreign shares in the share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Stock Exchange and traded in Hong Kong Dollars
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Nokia Shanghai”	Nokia Shanghai Bell Co., Ltd (上海諾基亞貝爾股份有限公司)
“Nokia Shanghai Group”	Nokia Shanghai and its subsidiaries
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

“Share(s)”	A Shares and/or H Shares
“Shareholder(s)”	holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed thereto in the Listing Rules
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Supplemental China Huaxin Framework Agreement”	the supplemental agreement to the 2020 China Huaxin Framework Agreement entered into between China Huaxin and the Company on March 31, 2020 to amend and supplement the 2020 China Huaxin Framework Agreement
“Supplemental Nokia Shanghai Purchase Framework Agreement”	the supplemental agreement to the 2020 Nokia Shanghai Purchase Framework Agreement entered into between Nokia Shanghai and the Company on March 31, 2020 to amend and supplement the 2020 Nokia Shanghai Purchase Framework Agreement

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, January 29, 2021

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

\* For identification purposes only