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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)

**DISCLOSEABLE TRANSACTION
ACQUISITION OF 12.72% EQUITY INTEREST IN
BROADEX TECHNOLOGIES CO., LTD.**

AND

ENTRUSTMENT OF VOTING RIGHTS IN BROADEX TECHNOLOGIES CO., LTD.

THE ACQUISITION

The Board is pleased to announce that on April 7, 2022, the Company and the Sellers entered into the Share Transfer Agreement, pursuant to which the Company has agreed to purchase and the Sellers have agreed to sell the Sale Shares at RMB40.00 per Sale Share. The Sale Shares under the Share Transfer Agreement represent 12.72% of the Target's issued share capital and the Consideration payable by the Company under the Share Transfer Agreement amounts to RMB1,027,950,000.

ENTRUSTMENT OF VOTING RIGHTS

The Board further announces that on April 7, 2022, the Company and Mr. Zhu entered into the Voting Right Entrustment Agreement pursuant to which Mr. Zhu agreed to entrust the Company to exercise all voting rights attached to 22,110,372 Target Shares held by him, representing 12.71% of the existing issued share capital of the Target, effective from the date when the Sale Shares are transferred to the Company, for a term of 48 months.

* For identification purposes only

The Target is a company listed on the Shenzhen Stock Exchange (stock code: 300548) and is as at the date of this announcement held as to 16.95%, 6.45%, 1.86%, 1.32% and 5.27% by Mr. Zhu, Mr. Ding, Ms. Wang, Ms. Jiang and TDG, respectively, while the remaining 68.15% is held by public shareholders. Upon completion of the Acquisition, the Company will (i) hold an aggregate of 12.72% of the equity interest of the Target, and together with the entrustment of 12.71% of the voting rights of the Target under the Voting Right Entrustment Agreement, the Company will control 25.43% of the voting rights of the Target (being the shareholder with control over the largest voting rights of the Target); and (ii) control the composition of a majority of the board of directors of the Target.

Accordingly, the Target will become a non wholly-owned subsidiary of the Company and the financial results of the Target will be consolidated into the Company's consolidated financial statements upon completion of the Acquisition.

LISTING RULES IMPLICATIONS

As all the relevant percentage ratios under the Listing Rules in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements of the Listing Rules.

The Board is pleased to announce that on April 7, 2022, the Company and the Sellers entered into the Share Transfer Agreement, pursuant to which the Company has agreed to purchase and the Sellers have agreed to sell the Sale Shares at RMB40.00 per Sale Share. The Sale Shares under the Share Transfer Agreement represent 12.72% of the Target's issued share capital and the Consideration payable by the Company under the Share Transfer Agreement amounts to RMB1,027,950,000.

PRINCIPAL TERMS OF THE SHARE TRANSFER AGREEMENT

The principal terms of the Share Transfer Agreement are summarized below.

Date

April 7, 2022

Parties

- (1) The Company, as the transferee; and
- (2) The Sellers, as the transferors.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, each Seller and/or its ultimate beneficial owner is a third party independent of the Company and its connected persons.

Assets to be acquired

Pursuant to the Share Transfer Agreement, the Company conditionally agreed to purchase and the Sellers conditionally agreed to sell the Sale Shares (representing 12.72% of the Target's issued share capital) as detailed below:

Seller	Number of Sale Shares to be transferred	Percentage of equity interest in the Target (%)
Mr. Zhu	7,370,124	4.24
Mr. Ding	2,805,562	1.61
Ms. Wang	1,818,956	1.05
Ms. Jiang	954,978	0.55
TDG	9,170,380	5.27
Total:	<u>22,120,000</u>	<u>12.72</u>

Out of the Sale Shares, 1,008,956 and 954,978 Target Shares held by Ms. Wang and Ms. Jiang (collectively, the “**Lock-up Target Shares**”), respectively are subject to lock-up restrictions. The restrictions on the Lock-up Target Shares may be waived by the shareholders of the Target at a general meeting and after which, the Lock-up Target Shares may be freely transferred by Ms. Wang and Ms. Jiang.

The Sellers have agreed that within 45 days after the date of the Share Transfer Agreement (or other reasonable period extended upon written consent of the Company), the Sellers shall promptly cause to convene a shareholders' meeting of the Target in accordance with the relevant provisions of its articles of association and put forward a resolution for the waiver of the relevant lock-up restrictions on the Lock-up Target Shares for approval at the shareholders' meeting of the Target.

In the event that the waiver of the restrictions on the Lock-up Target Shares is not approved by the shareholders of the Target, the number of Sale Shares to be transferred from Ms. Wang and Ms. Jiang at completion shall be reduced by the number of the respective Lock-up Target Shares and the consideration of the Sale Shares shall be adjusted accordingly. Details of the adjustment are set out in the paragraph headed “**Consideration**” below. The Sellers shall seek approval at the shareholders' meeting of the Target in the next year for the waiver of the restrictions on the Lock-up Target Shares and the Lock-up Target Shares shall be transferred by Ms. Wang and Ms. Jiang to the Company upon the obtaining of the shareholders' approval at the consideration calculated on the same basis as the Sale Shares (i.e. RMB40 per Target Share).

Consideration

The Consideration payable by the Company for the Acquisition amounts to RMB1,027,950,000. Of which RMB884,800,000 represents the consideration for the transfer of the Sale Shares, being RMB40 per Target Share, and RMB143,150,000 represents a performance bonus payable by the Company to Mr. Zhu in recognition of his contribution to the performance and development of the Target. The consideration for the transfer of Sale Shares shall be payable to each of the Sellers as follows:

Seller	Number of Sale Shares to be transferred	Consideration (RMB)
Mr. Zhu	7,370,124	294,804,960
Mr. Ding	2,805,562	112,222,480
Ms. Wang	1,818,956	72,758,240
Ms. Jiang	954,978	38,199,120
TDG	9,170,380	366,815,200
Total:	<u>22,120,000</u>	<u>884,800,000</u>

The consideration for the Sale Shares shall be settled in the following manner:

- (i) an amount of RMB20,000,000 (“**Prepayment**”) shall be paid by the Company to a specific domestic RMB bank account designated by Mr. Zhu within 5 business days after the date of the Share Transfer Agreement.

The Prepayment shall be applied as partial settlement of the portion of Initial Instalment (as defined below) to be paid to Mr. Zhu. In the event that completion of the Acquisition does not take place or the Share Transfer Agreement is terminated, the Prepayment and the bank interests effectively accrued shall be refunded to the Company within 5 business days after notification is issued by the Company;

- (ii) an amount of RMB619,360,000, being 70% of the total consideration for the Sale Shares shall be paid by the Company to the Sellers to the specific domestic RMB bank account designated by the respective Seller within 5 business days after Mr. Zhu's issuance of a confirmation of satisfaction or waiver of closing conditions (the "Initial Instalment"). Details of the amount to be paid to each Seller for the Initial Instalment is set out below:

Seller	Prepayment (RMB)	Remaining amount payable for the Initial Instalment (RMB)
Mr. Zhu	20,000,000	186,363,472
Mr. Ding	–	78,555,736
Ms. Wang	–	50,930,768
Ms. Jiang	–	26,739,384
TDG	–	256,770,640
Total:	<u>20,000,000</u>	<u>599,360,000</u>

- (iii) an amount of RMB265,440,000, being 30% of the total consideration for the Sale Shares shall be paid by the Company to the Sellers to the specific domestic RMB bank account designated by the respective Seller within 5 business days after the date on which the CSDC completes the registration for the transfer of the Sale Shares (the "Final Instalment"). Details of the amount to be paid to each Seller for the Final Instalment is set out below:

Seller	Remaining amount payable for the Final Installment in the event that the restrictions on the Lock-up Target Shares have been waived (RMB)
Mr. Zhu	88,441,488
Mr. Ding	33,666,744
Ms. Wang	21,827,472
Ms. Jiang	11,459,736
TDG	110,044,560
Total:	<u>265,440,000</u>

In the event that the restrictions on the Lock-up Target Shares have been not been waived at the shareholders' meeting of the Target within the agreed term of the Share Transfer Agreement, the stage payment of the Consideration for the transfer of the remaining Sale Shares will not be affected, provided that the number of the Sale Shares to be transferred, the Prepayment and the amount to be paid to each Seller for the Initial Instalment and the Final Instalment shall be adjusted as set out below:

Seller	Number of Sale Shares to be transferred	Prepayment (RMB)	Remaining amount payable for the Initial Installment (RMB)	Remaining amount payable for the Final Installment (RMB)
Mr. Zhu	7,370,124	20,000,000	186,363,472	88,441,488
Mr. Ding	2,805,562	–	78,555,736	33,666,744
Ms. Wang	810,000	–	22,680,000	9,720,000
Ms. Jiang	0	–	–	–
TDG	9,170,380	–	256,770,640	110,044,560
Total:	20,156,066	20,000,000	544,369,848	241,872,792

In addition to the consideration for the Sale Shares, a performance bonus in the amount of RMB143,150,000 shall be paid by the Company to Mr. Zhu at the time of the payment of the Initial Instalment.

The Consideration will be settled in cash out of its internal resources. The Consideration was determined after arm's length negotiation between the Company and the Seller with reference to (i) the prevailing market price of the Target Shares, and (ii) the past performance and future prospects of the Target.

Management

After completion of the Acquisition, the Target shall maintain nine (9) members on the board of directors of the Target. The Company shall be entitled to recommend and nominate four (4) non-independent directors and one (1) independent director to the board of directors of the Target, and the director (including the current director) nominated by the Company shall serve as the chairman of the board of directors of the Target.

Horizontal competition

The Company undertakes that after completion of the Acquisition, (i) to the extent that there exists horizontal competition in the optical device business between (a) the Company and its affiliated companies; and (b) the Target Group, the Company shall, within 60 months upon the completion of the Acquisition, take appropriate measures in accordance with the relevant regulatory requirements (including but not limited to assets injection, assets reorganization, entrusted management, business adjustment) to integrate the relevant business to that of the Target Group to avoid adverse effect from any overlapping businesses; and (ii) the Company and its affiliated companies shall not establish new business or have a wholly-owned or controlling interest in business activities in competition with the main business of the Target Group.

Conditions precedents

Completion is conditional upon the satisfaction or the waiver of the following conditions precedent:

- (i) TDG has obtained the necessary approval in respect of the Acquisition, including but not limited to the approval from its board of directors and shareholders' meeting (if required);
- (ii) the Company has obtained the necessary approval in respect of the Acquisition, including but not limited to the approval from its board of directors and shareholders' meeting (if required), or the approval from or filing with the state-owned assets administration authority (if required);
- (iii) the Company has notified the State Administration for Market Regulation ("SAMR") and obtained the antitrust approval or a non-prohibition decision from the SAMR for the Acquisition (if required);
- (iv) the necessary review on the completeness of the materials submitted by the parties thereto has been conducted by the Shenzhen Stock Exchange, and the Shenzhen Stock Exchange has issued a confirmation with respect to the transfer of the Sale Shares for the confirmation of the share transfer;
- (v) the Voting Right Entrustment Agreement has been executed by the Company and Mr. Zhu; and
- (vi) none of the Target or the Sellers is under investigation or judicial investigation without definite conclusion, no circumstance has occurred which materially affects the completeness of the rights and interests of the Target Shares during the transition period, and the Target is under ordinary operation without any material adverse change, and no circumstance has occurred which may materially affect the Company's acquisition of actual control of the Target.

Mr. Zhu shall issue a confirmation of satisfaction of conditions precedent to the Company after the above conditions are satisfied.

Completion

Within 5 business days after the full payment of the Initial Instalment (or other reasonable period extended upon written consent of the Company), the parties shall prepare the relevant materials required for the registration of transfer of the Sale Shares in accordance with the Share Transfer Agreement and the regulations and requirements of competent authorities and shall jointly complete the registration of transfer of the Sale Shares with CSDC.

ENTRUSTMENT OF VOTING RIGHTS

On April 7, 2022, the Company and Mr. Zhu entered into the Voting Right Entrustment Agreement pursuant to which Mr. Zhu agreed to entrust the Company to exercise all voting rights attached to the Entrusted Shares, representing 12.71% of the existing issued share capital of the Target, effective from the date when the Sale Shares are transferred to the Company, for a term of 48 months. The rights of the Entrusted Shares that are entrusted to the Company include but not limited to the right to:

- (i) convene, hold, participate in or appoint proxy to participate in the shareholders' meeting of the Target according to the relevant laws;
- (ii) exercise shareholder's right of proposal and submit to the Target shareholders' proposals or proposals including but not limited to the nomination, recommendation, election or dismissal of the directors, supervisors, and senior management personnel;
- (iii) exercise of voting rights on issues required to be discussed and resolved by shareholders' meeting of the Target in accordance with relevant laws, regulations, rules and other legally binding regulatory documents or articles of association of the Target.

The Company can exercise the voting rights attached to the Entrusted Shares and cast votes at its own discretion and does not need to obtain any other authorization from Mr. Zhu when exercising such voting rights.

UNALTERABLE AND IRREVOCABLE UNDERTAKING

On April 7, 2022, each of Mr. Zhu, Mr. Ding, Ms. Wang and Ms. Jiang executed an unalterable and irrevocable undertaking in favor of the Company pursuant to which, during the period of 48 months from the date of share transfer agreed in the Share Transfer Agreement, they shall (i) support the Company to become the controlling shareholder of the Target, maintain the Company's control over the Target and fully respect the Company's controlling status over the Target; and (ii) not, individually or collectively, seek the status of an actual controller of or actual control over the Target in any way (including but not limited to control through increase in equity or transfer by agreement), nor, without the Company's prior written consent, increase their voting rights in the Target through other entrustments, agreements or acting in concert arrangements. If any loss is caused to the Target or the Company as a result of the violation of the aforesaid undertaking by Mr. Zhu, Mr. Ding, Ms. Wang or Ms. Jiang, they shall be liable for compensation according to the law.

INFORMATION ON THE TARGET

The Target is a company listed on the Shenzhen Stock Exchange (stock code: 300548). It was founded on July 8, 2003 in the PRC and is principally engaged in the design, manufacture and sale of integrated optoelectronic components in the field of fiber optical communications.

Set out below is the financial information of the Target for the two financial years ended December 31, 2021 and 2020, and for the nine months ended September 30, 2021, as extracted from the annual reports of the Target for the year ended December 31, 2019 and 2020, and the third quarterly report of the Target for the nine months ended September 30, 2021:

	For the year ended December 31, 2019 (RMB'000) (Audited)	For the year ended December 31, 2020 (RMB'000) (Audited)	For the nine months ended September 30, 2021 (RMB'000) (Unaudited)
Net profit before taxation	9,201	97,525	130,250
Net profit after taxation	7,784	88,459	115,407

The unaudited net asset value of the Target as at September 30, 2021 was RMB1,474,540,778.66.

As at the date of this announcement, the Target is held as to 16.95%, 6.45%, 1.86%, 1.32% and 5.27% by Mr. Zhu, Mr. Ding, Ms. Wang, Ms. Jiang and TDG, respectively, while the remaining 68.15% is held by public shareholders. Upon completion of the Acquisition, the Company will (i) hold an aggregate of 12.72% of the equity interest of the Target, and together with the entrustment of 12.71% of the voting rights of the Target under the Voting Right Entrustment Agreement, the Company will control 25.43% of the voting rights of the Target (being the shareholder with control over the largest voting rights of the Target); and (ii) control the composition of a majority of the board of directors of the Target. Accordingly, the Target will become a non wholly-owned subsidiary of the Company and the financial results of the Target will be consolidated into the Company's consolidated financial statements upon completion of the Acquisition.

INFORMATION ON THE COMPANY

The Company is one of the leading optical fibre preform, optical fibre and optical fibre cable suppliers in the world. 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.

INFORMATION ON THE SELLERS

Mr. Ding is a PRC national while Mr. Zhu, Ms. Wang and Ms. Jiang are non-PRC nationals. As at the date of this announcement, Mr. Zhu, Mr. Ding, Ms. Wang and Ms. Jiang hold approximately 16.95%, 6.45%, 1.86% and 1.32% in the issued share capital of the Target, respectively. Ms. Wang is the spouse of Mr. Zhu and Ms. Jiang is the spouse of Mr. Ding. Each of Mr. Zhu, Mr. Ding, Ms. Wang and Ms. Jiang is an Independent Third Party.

TDG is a joint stock company listed on the Shanghai Stock Exchange (stock code: 600330). It was incorporated on February 10, 1999 and is principally engaged in the production and sales of electronic materials including magnetic and sapphire materials, and the manufacture and sale of electronic parts. Tiantong Gaoxin Group Limited* (天通高新集團有限公司) owns approximately 13% of the issued share capital of TDG and is the single largest shareholder of TDG. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Tiantong Gaoxin Group Limited* (天通高新集團有限公司) is controlled as to 66.74% by Mr. Pan Jianqing, an Independent Third Party, As at the date of this announcement, TDG holds approximately 5.27% of the issued share capital of the Target.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Acquisition is part of the Group's continued growth strategy. The Target focuses on the large-scale application of integrated optoelectronic devices, and provides optical passive and active devices for telecommunications transmission networks, access networks and data communications. It has a number of independently developed core technologies, and has established a packaging technology platform for planar optical waveguide (PLC), micro-opto-electromechanical (MEMS), silicon photonics and high-speed active modules, which provides high-quality key devices for communication equipment manufacturers, telecommunications and Internet operators. The Company is optimistic about the future development of the Target and believes that it has long-term investment value. The Acquisition will be beneficial for the Company to promote its own resource coordination, enhance the operational ability, continuous profitability and market competitiveness. It will also promote the business synergies of the Company and the Target in the future and enhance the business development ability and competitive advantages of both parties.

The Board considers that the terms of the Share Transfer Agreement and the Voting Right Entrustment Agreement are fair and reasonable and on normal commercial terms, and that the entering into of the Share Transfer Agreement and the Voting Right Entrustment Agreement is in the interest of the Company and the shareholders of the Company as a whole. None of the Directors has a material interest in the Share Transfer Agreement or the Voting Right Entrustment Agreement or is required to abstain from voting on the Board resolution in relation to the Share Transfer Agreement or the Voting Right Entrustment Agreement.

LISTING RULES IMPLICATIONS

As all the relevant percentage ratios under the Listing Rules in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction on the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the proposed acquisition of the 12.72% equity interest in the Target by the Company pursuant to the Share Transfer Agreement
“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)
“Board”	the board of directors of the Company
“Company”	Yangtze Optical Fibre and Cable Joint Stock Limited Company* (長飛光纖光纜股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the 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
“Consideration”	the total consideration payable for the Acquisition under the Share Transfer Agreement, being RMB1,027,950,000
“CSDC”	China Securities Depository and Clearing Corporation (中國證券登記結算有限責任公司)
“Directors”	the directors of the Company
“Entrusted Share(s)”	22,110,372 Target Shares to be entrusted to the Company by Mr. Zhu according to the Voting Right Entrustment Agreement
“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
“Independent Third Party(ies)”	third party(ies) independent of the Company and not connected with its connected persons (as defined under the Listing Rules)

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Ding”	Mr. Ding Yong (丁勇)
“Mr. Zhu”	Mr. Zhu Wei (朱偉)
“Ms. Jiang”	Ms. Jiang Rongzhi (江蓉芝), the spouse of Mr. Ding
“Ms. Wang”	Ms. Wang Xiaohong (王曉虹), the spouse of Mr. Zhu
“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
“Sale Shares”	the aggregate of 22,120,000 Target Shares held by the Sellers as at the date of this announcement
“Sellers”	Mr. Zhu, Mr. Ding, Ms. Wang, Ms. Jiang and TDG
“Shanghai Stock Exchange”	Shanghai Stock Exchange
“Share(s)”	A Shares and/or H Shares
“Shareholder(s)”	holders of Shares
“Share Transfer Agreement”	the share transfer agreement dated April 7, 2022 entered into between the Company as transferee and the Sellers as transferors in relation to the Acquisition
“Shenzhen Stock Exchange”	Shenzhen Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed thereto in the Listing Rules
“Target”	Broadex Technologies Co., Ltd.* (博創科技股份有限公司) (stock code: 300548), a joint stock company incorporated in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange

“Target Group”	the group of companies comprising the Target and its subsidiaries
“Target Share(s)”	share(s) in the Target
“TDG”	TDG Holding Co., Ltd.* (天通控股股份有限公司) (stock code: 600330), a joint stock company incorporated in the PRC with limited liability, the shares of which are listed on the Shanghai Stock Exchange
“Voting Right Entrustment Agreement”	the voting right entrustment agreement entered into between Mr. Zhu and the Company in respect of the entrustment of voting rights of 22,110,372 Target Shares held by Mr. Zhu

Completion is conditional upon the fulfilment or waiver of the conditions precedent. As such, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

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, April 7, 2022

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*