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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 30% EQUITY INTEREST IN BAOSHENG SUBMARINE CABLE**

#### **THE ACQUISITION**

The Board is pleased to announce that on September 20, 2024, the Company (as the Purchaser) and Baosheng Company (as the Vendor) entered into the Property Transaction Agreement, pursuant to which the Company has agreed to acquire and Baosheng Company has agreed to sell 30% of equity interest in Baosheng Submarine Cable (as the Target Company) at the consideration of RMB582,797,700 (excluding transaction costs) in cash.

Upon completion of the Acquisition, the Target Company will be owned as to 60% by the Company and therefore become a non-wholly-owned subsidiary of the Company, and the financial results of the Target Company will be consolidated into the Group's consolidated financial statements.

#### **LISTING RULES IMPLICATIONS**

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

**The Target Company may be exposed to various uncertainties, such as macroeconomic conditions, industry policies, market changes, and hence there are uncertainties in the future operation of the Target Company. As a result, actual operation results of the Target Company may not materialize as expected. In addition, the Acquisition is still subject to the completion of various subsequent procedures in accordance with the relevant processes of China Beijing Equity Exchange\* (北京產權交易所).**

**Shareholders and potential investors of the Company should therefore exercise caution when dealing in the shares or any other securities of the Company.**

## INTRODUCTION

The Board is pleased to announce that on September 4, 2024, the Company (as the Purchaser) successfully bid for the 30% of equity interest in Baosheng Submarine Cable (as the Target Company) offered for sale by Baosheng Company (as the Vendor) in the public tender process (the “**Public Tender**”) held by China Beijing Equity Exchange\* (北京產權交易所) (the “**Beijing Exchange**”). Accordingly, on September 20, 2024, the Company (as the Purchaser) and Baosheng Company (as the Vendor) entered into the Property Transaction Agreement, pursuant to which the Company has agreed to acquire and Baosheng Company has agreed to sell 30% of equity interest in Baosheng Submarine Cable (as the Target Company) at the consideration of RMB582,797,700 (excluding transaction costs) in cash.

Immediately before the Acquisition, the Target Company was owned as to 30% by the Company and 70% by Baosheng Company and hence, an associate company of the Company. Immediately after the completion of the Acquisition, the Company will hold in aggregate 60% of equity interest in the Target Company. The Acquisition will therefore result in consolidation of the financial results of the Target Company in the consolidated financial statements of the Company.

## THE PROPERTY TRANSACTION AGREEMENT

The principal terms of the Property Transaction Agreement are summarised below:

### *Date*

September 20, 2024

### *Parties*

- (a) The Company (as the Purchaser)
- (b) Baosheng Company (as the Vendor)

### *Effective conditions and timing*

The Property Transaction Agreement has become effective on September 20, 2024 upon the seal of both parties thereto.

### *Subject matter and consideration*

Pursuant to the Property Transaction Agreement, the Company has agreed to acquire and Baosheng Company has agreed to sell 30% of equity interest in Baosheng Submarine Cable (as the Target Company) at the consideration of RMB582,797,700 which is equivalent to the minimum price of the 30% of equity interest in Baosheng Submarine Cable as disclosed by Beijing Exchange on August 6, 2024. The consideration was also determined with reference and in proportion to the valuation of the entire equities of the Target Company as of November 30, 2023 (the “**Valuation**”). The consideration will be settled in cash and funded by the Company’s internal resources.

The Directors (including the independent non-executive Directors) consider that the consideration is fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

### ***Liability for breach of contract***

Once the Property Transaction Agreement takes effect, any party that seeks to terminate the agreement without sound reason(s) shall pay the other party a sum of one-off liquidated damages amounting to 30% of the consideration thereunder, and shall also be liable for compensation to the other party if any losses were caused to the other party. In the event that the Purchaser fails to pay the consideration within the agreed period in accordance with the Property Transaction Agreement, it shall pay the Vendor a sum of overdue payment. Such overdue payment is calculated at 0.05% of the unpaid consideration per day during the delayed payment period. If the payment is overdue for more than 30 days, the Vendor has the right to terminate the Property Transaction Agreement and require the deduction of the deposit paid by the Purchaser. Such deducted deposit shall first be used to pay the various service fees that Beijing Exchange should collect, and the remaining amount shall be used as compensation to the Vendor. In case that it is insufficient to compensate the losses of the Vendor, the Vendor may seek further compensation from the Purchaser. If the Vendor fails to deliver the subjects as agreed in the Property Transaction Agreement, the Purchaser has the right to terminate the Property Transaction Agreement and require the Vendor to pay liquidated damages to the Purchaser in an amount equivalent to 30% of the total consideration under the Property Transaction Agreement.

If there are material non-disclosure or omission of certain matters, such as assets and debts of the Target Company and which may have a material adverse impact on the Target Company or may affect the consideration of the transaction contemplated under the Property Transaction Agreement, the Purchaser has the right to terminate the Property Transaction Agreement and require the Vendor to bear the liability for breach of contract in an amount equivalent to 30% of the total consideration under the Property Transaction Agreement.

### ***Performance arrangement***

#### ***Payment arrangement***

Upon confirmation of the Company's eligibility for the Acquisition by Beijing Exchange, the Company has deposited an amount of RMB170,000,000 into the designated account of Beijing Exchange on September 4, 2024 as security deposit for the Acquisition.

The Company will pay the balance of the consideration (i.e. RMB412,797,700) after deducting the deposit in cash to the settlement account designated by Beijing Exchange within five working days after the Property Transaction Agreement is signed and becomes effective. The Company agreed that within three working days upon its receipt of the property right transaction certificate (產權交易憑證) in respect of the Acquisition, Beijing Exchange shall pay the full consideration (i.e. RMB582,797,700) to Baosheng Company (the Vendor) in one lump sum.

#### ***Closing***

Within ten working days after obtaining the property right transaction certificate (產權交易憑證) issued by Beijing Exchange, Baosheng Company (the Vendor) shall procure Baosheng Submarine Cable (the Target Company) to complete the alternation of equity registration procedures for the transfer of the 30% of equity interest in Baosheng Submarine Cable to the Company, and the Company shall provide necessary assistance and cooperation.

Baosheng Company (the Vendor) shall, within ten working days from the date on which the alternation of equity registration procedures in relation to the Acquisition is completed, transfer the assets, right of control and management rights of Baosheng Submarine Cable (the Target Company) to the Company, and the Company will manage and control the Target Company.

## **REASONS FOR AND BENEFITS OF THE 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. The Group has established a diversified strategic framework and submarine cable and marine engineering is one of the key sectors for the Group to further diversify its business.

The Target Company has robust marine cable manufacturing capabilities, advanced technology research and development capabilities as well as a solid customer base. The Acquisition will allow the Company to further enhance its industrial positioning in this sector and facilitate the Company's further expansion of the entire industry chain of marine cable and marine engineering. Prior to the Acquisition, the Company held 30% of equity interest in the Target Company. Obtaining a controlling interest in the Target Company will enable the Company to realize greater synergies between submarine cable manufacturing, installation, and marine engineering construction.

The Directors (including the independent non-executive Directors) consider that the terms of the Property Transaction Agreement are fair and reasonable, and the transaction contemplated thereunder is on normal commercial terms and in the interests of the Company and the Shareholders as a whole after taking into account the reasons and benefits as stated above.

As Prysmian Group, the controlling shareholder of Draka Compteq B.V., is engaged in similar business overseas as Baosheng Submarine Cable, Mr. Philippe Claude Vanhille, Mr. Pier Francesco Facchini and Mr. Lars Frederick Persson abstained from voting on the relevant Board resolution(s) approving the Property Transaction Agreement and the transaction contemplated thereunder. Mr. Philippe Claude Vanhille, Mr. Pier Francesco Facchini and Mr. Lars Frederick Persson believe the transaction contemplated under the Property Transaction Agreement aligns with the Company's diversification strategy and is beneficial for the Company's business expansion. Apart from the aforementioned, none of the other Directors had a material interest in the Property Transaction Agreement or the transaction contemplated thereunder, or was required to abstain from voting on the relevant Board resolution(s) approving the Property Transaction Agreement or the transaction contemplated thereunder.

## **INFORMATION ON BAOSHENG SUBMARINE CABLE**

Baosheng Submarine Cable was established on August 26, 2015 in the PRC and is principally engaged in the design, development, manufacturing and sale of marine engineering products, such as submarine cables, submarine optical cables, optical-electrical composite cables, submarine special cables, direct current cables, high-voltage cables, ultra-high voltage cables, umbilical cables, towing cables, OPGW and other electrical wires, cables and related accessories.

The following financial information is extracted from the annual reports of Baosheng Submarine Cable for the two financial years ended December 31, 2023:

	<b>Year ended 31 December</b>	
	<b>2023</b>	<b>2022</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Revenue	<b>1,079,134.3</b>	435,367.0
Net profit before taxation	<b>11,817.4</b>	1,770.1
Net profit after taxation	<b>9,693.0</b>	4,152.6

Based on the interim report of Baosheng Submarine Cable for the six months ended June 30, 2024, the unaudited net asset value of Baosheng Submarine Cable was RMB1,642,708,600 as at June 30, 2024.

## **INFORMATION ON 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.

## **INFORMATION ON BAOSHENG COMPANY**

Baosheng Company is a limited liability company established under the PRC laws and its shares are currently listed on Shanghai Stock Exchange (stock code: 600973). Baosheng is principally engaged in the development, manufacturing, sales and related production technology development of power cables and cable accessories, and development and application of network transmission systems and superconducting systems.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Baosheng Company and its ultimate beneficial owners are Independent Third Parties as at the date of this announcement.

## **LISTING RULES IMPLICATIONS**

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

## **DEFINITIONS**

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

“Acquisition” acquisition by the Company of the 30% of equity interest in the Target Company for a consideration of RMB582,797,700 (excluding transaction costs) in cash and related matters as contemplated under the Property Transaction 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)
“Baosheng Company” or “Vendor”	Baosheng Science and Technology Innovation Co., Ltd.* (寶勝科技創新股份有限公司), a limited liability company established in the PRC on June 30, 2000, the shares of which are listed on Shanghai Stock Exchange (stock code: 600973)
“Baosheng Submarine Cable” or “Target Company”	Baosheng (Yangzhou) Submarine Engineering Cable Company* (寶勝(揚州)海洋工程電纜有限公司) (formerly known as AVIC Baosheng Ocean Engineering Cable Company* (中航寶勝海洋工程電纜有限公司)), a limited liability company established in the PRC on August 26, 2015. Upon completion of the Acquisition, Baosheng Submarine Cable will become 60% owned by the Company and 40% owned by Baosheng Company, and will become a non-wholly-owned subsidiary of the Company
“Board”	the board of directors of the Company
“Company” or “Purchaser”	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
“Directors”	the directors of the Company
“Property Transaction Agreement”	the property transaction agreement (產權交易合同) entered into by and between the Company (as the Purchaser) and Baosheng Company (as the Vendor) on September 20, 2024
“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
“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
“%”	per cent

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, 2024

*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. Lars Frederick Persson, 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.*

\* *For identification purposes only*