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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)

SUPPLEMENTAL ANNOUNCEMENT AND UPDATE ON THE DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF 12.72% EQUITY INTEREST IN BROADEX TECHNOLOGIES CO., LTD. AND ENTRUSTMENT OF VOTING RIGHTS IN BROADEX TECHNOLOGIES CO., LTD.

Reference is made to the announcement (the "**Announcement**") of Yangtze Optical Fibre and Cable Joint Stock Limited Company* 長飛光纖光纜股份有限公司 (the "**Company**") in relation to the acquisition of 12.72% of the equity interest in Broadex Technologies Co., Limited and the entrustment of voting rights in Broadex Technologies Co., Limited dated April 7, 2022. Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as defined in the Announcement.

The Company wishes to provide the Shareholders and potential investors with additional information on the Acquisition as follows:

ENTRUSTMENT OF VOTING RIGHTS

According to the requirements of the Company Law of the PRC, the shares transferred in each year by directors, supervisors, senior management officers of a company during the period of their term of office shall not exceed 25% of the total number of shares of the company held by them. Due to the above restrictions on share transfer, the Sellers can only transfer an aggregate of 12.72% of equity interest of the Target under the Share Transfer Agreement.

In order to strengthen effective control over the Target, the Company and Mr. Zhu entered into the Voting Rights Entrustment Agreement for the entrustment of 12.71% of the voting rights of the Target to the Company. No consideration is paid or payable by the Company for the entrustment arrangement.

BASIS OF THE CONSIDERATION

As disclosed in the Announcement, 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.

The consideration for the Sale Shares ("**Sale Shares Consideration**") was determined based on (i) the average closing price per Target Share based on the daily closing prices as quoted on the Shenzhen Stock Exchange over the 30 trading days preceding the date of negotiation of the Acquisition in February 2022 when the Sale Shares Consideration was determined (being RMB32.43, representing a premium of approximately 23.34% from the Sale Shares Consideration of RMB40 per Sale Share); and (ii) the significant growth of the financial results of the Target over the past three financial years and the future prospects of the Target.

The average closing price of the Target over 30 trading days preceding the signing of the Share Transfer Agreement was RMB29.65, representing a premium of approximately 34.91% from the Sale Shares Consideration of RMB40 per Sale Share. Due to the effects of various factors in the international and domestic environment, after the Sale Shares Consideration was negotiated and determined in February 2022, there was a downturn in the A-share market, as of the Target's trading suspension for the Acquisition on March 31, 2022, the SSE Composite Index dropped by approximately 5.81%, ChiNext Index dropped by approximately 4.31%, and the share price of the Target dropped by approximately 14.97% during the same period. The drop in the share price of the Target is inconsistent with the rapid growth in performance results of the Target. It is noted that the closing price of the Target reached RMB46.50 when it announced its half-yearly report for 2021, which was higher than the Sale Shares Consideration. Considering the decline in share price of the Target was caused by factors in the external environment and no clear adverse changes have occurred to the business and operations of the Target, the Board considers that the historical financial performance of the Target and the price-to-earnings ratios ("**PE ratio**") of listed companies in a similar industry offers better reference value compared to the share price of the Target on the date of the signing of the Share Transfer Agreement, which did not represent a fair value of the Target Shares.

The financial results of the Target have grown rapidly in recent years, specifically, (i) the operating income of the Target for 2019, 2020 and 2021 was approximately RMB407 million, RMB777 million and RMB1,154 million, respectively, representing a growth rate of approximately 90.8% and 48.6%, respectively; and (ii) the net profit of the Target for the same period was approximately RMB8 million, RMB88 million and RMB162 million, respectively, representing a relatively high growth rate.

The Target is a listed company on ChiNext with a current market capitalization of approximately RMB5 billion, and belong to the industry category of "C39 computer, telecommunications and other electronic equipment manufacturing industry" under the China Securities Regulatory Commission ("**CSRC**") classification. The basic earnings per share of the Target for 2021 is RMB0.97, and the corresponding PE ratio at the Sale Shares Consideration is approximately 41 times. According to ChiNext, the median PE ratio of listed companies within the same industry sector (TTM) and the market capitalization of RMB4-6 billion are approximately 39 times. The PE ratio level corresponding to Sale Shares Consideration is close to the PE ratio of listed companies in the same industry.

Having considered (i) the price-to-earnings ratios of comparable companies engaged in similar business of the Target; (ii) the significant growth of the financial results of the Target over the past three financial years and the future prospects of the Target; and (iii) the benefit of the Acquisition including the business synergies of the Company and the Target through the expansion of the overall scale of the optical device business, access to sales network and wider reach to new customers through provision of diversified products, and integration of procurement channels to improve the bargaining power, the Board considered the Sale Shares Consideration is on normal commercial terms, are fair and reasonable and in the interest of the Company and Shareholders as a whole.

As disclosed in the Announcement, in addition to the consideration for the Sale Shares, a performance bonus shall be paid by the Company to Mr. Zhu under the Share Transfer Agreement ("**Performance Bonus Consideration**"). The Performance Bonus Consideration was agreed between the parties after arm's length negotiation after having considered (i) Mr. Zhu is the founder and de facto controller of the Target and has contributed substantial amount of time and effort in the operation and development of the Target, and he will also play an important role in the subsequent management of the Target and the integration of the operations of the Company and the Target post Acquisition; and (ii) his disposal of a controlling stake in the Target and has facilitated in the Company's acquisition of effective control in the Target. Such arrangement is also a common market practice for a transaction of a similar nature.

The Performance Bonus Consideration was determined after arm's length negotiation based on the Sale Shares Consideration and a premium rate with reference to comparable transactions. In selecting and considering comparable transactions, the Company has considered those that also involve the acquisition of controlling stake with target companies that are listed on the Shenzhen Stock Exchange, which is similar to the Acquisition conducted by the Company. Those comparable transactions involve transfer of equity interest which range from 5% to 7.83% of the equity interest in the respective target and entrustment of 10.59% to 24.72% of voting rights of the respective target and the premium rate for the transfer of controlling stake in those transactions ranges from approximately 9.14% to 48.06%. The Performance Bonus Consideration represents a premium of approximately 16.18% over the Sale Shares Consideration of RMB40 per Sale Share, which falls within the range of comparable market transactions.

Having considered (i) the background for the performance bonus; (ii) the payment of a premium is in line with market practice; (iii) the duration of the Voting Rights Entrustment Agreement; and (iv) the premium rate applied in calculation of the Performance Bonus Consideration which falls within the range of comparable market transactions, the Board considered the Performance Bonus Consideration is on normal commercial terms, are fair and reasonable and in the interest of the Company and Shareholders as a whole.

HORIZONTAL COMPETITION

As disclosed in the Announcement, the Company has provided an undertaking 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 (the "**Existing Business Undertaking**"); 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 (the "**New Business Undertaking**", together with the Existing Business Undertaking, the "**Non-competition Undertaking**").

Pursuant to Article 17 of the Administrative Measures for the Acquisition of Listed Companies (2020 Amendment) issued by the CSRC, a detailed report on changes in shareholding of the Target shall disclose "whether there is horizontal competition or potential horizontal competition and whether there are continuing connected transactions between the investors, persons acting in concert and their controlling shareholders and de facto controllers and the listed company; in the case of any horizontal competition or continuing connected transactions, whether corresponding arrangements have been made to avoid horizontal competition between the investors, persons acting in concert and their related parties and the listed company, and to maintain the independence of listed company."

Upon completion of the Acquisition, the Company will have a controlling interest and will become the de facto controller of the Target. The purpose of the undertaking is to avoid horizontal competition between the Company and the Target, and to maintain the independence of the Target as a company listed on the Shenzhen Stock Exchange, which is in compliance with the relevant requirements of the CSRC. The Non-competition Undertaking shall be effective during the period when the Company maintains direct or indirect de facto control over the Target. If the Company continues to maintain its de facto control over the Target after the 48-month term of the Voting Rights Entrustment Agreement, the Company shall continue to fulfill the Existing Business Undertaking in the next 12 months, and the New Business Undertaking during the period while it maintains its de facto control over the Target. If the Company does not maintain its de facto control over the Target after the 48-month term of the Voting Rights Entrustment Agreement, the Company is not required to fulfil the Existing Business Undertaking or the New Business Undertaking.

ADJUSTMENT TO THE NUMBER OF SALE SHARES

As disclosed in the Announcement, 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. As at the date of this announcement, the approval for the waiver on the restrictions on the Lock-up Target Shares have not been obtained from the shareholders of the Target and the number of Sale Shares shall be reduced by the number of Lock-up Target Shares. Please refer the paragraph headed "Principal Terms of the Share Transfer Agreement – Consideration" for details on the adjustment of number of Sale Shares to be transferred and the amount to be paid to each Seller for the Initial Instalment and the Final Instalment.

On April 28, 2022, the shareholders of the Target has approved its 2021 equity distribution plan at a general meeting. Based on the total share capital of the Target on the record date when the profit distribution plan is implemented, a cash dividend of RMB4 (tax included) per ten Target Shares shall be distributed, the remaining undistributed profits will be carried forward to the next year, and at the same time, five Target Shares shall be distributed from its capital reserve to shareholders of the Target for every ten Target Shares held (the "**Distribution**"). Following the Distribution on May 13, 2022, the Target's total share capital increased to 260,890,123 shares. Pursuant to the Share Transfer Agreement, from the date of signing of the Share Transfer Agreement to the date of share transfer, in the event of any conversion of capital reserve or surplus reserve into share capital, bonus issue, share subdivision, share allotment (except for the part that has been waived from subscription), or share consolidation carried out by the Target, the number of Sale Shares to be transferred and the Consideration shall be adjusted accordingly, provided that the consideration per Sale Share will remain the same. On May 27, 2022, the Company and the Sellers signed a confirmation in relation to the adjustment to the number of the Sale Shares to be transferred following the reduction of Lock-up Target Shares and the Distribution such that the number of Sale Shares to be transferred shall be 30,234,099 Target Shares, representing approximately 11.59% of the equity interest of the Target, and the Sale Shares Consideration and the Consideration shall be adjusted to be RMB806,242,640 and RMB949,392,640, respectively. No adjustment has been made to the Performance Bonus Consideration.

ADJUSTMENT TO THE ENTRUSTED SHARES

Pursuant to the Voting Rights Entrustment Agreement, during the entrustment period, in the event of any change, naturally or legally, to the number of Target Shares held by the entrusting party as a result of the conversion of capital reserve or surplus reserve into share capital, bonus issue, share subdivision, share allotment (except for the part that has been waived from subscription), or share consolidation carried out by the Target, the number of Entrusted Shares shall be adjusted accordingly. On May 27, 2022, the Company and Mr. Zhu signed a confirmation in relation to the adjustment of Entrusted Shares from 22,110,372 to 33,165,558 Target Shares, representing approximately 12.71% of the issued share capital of the Target as at the date of this announcement.

Upon completion of the Acquisition (taking into account the adjustment resulting from the reduction of Lock-up Target Shares and the Distribution), the Company will (i) hold an aggregate of 11.59% 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 24.30% 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. 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.

Saved as disclosed above, all the terms and conditions of the Share Transfer Agreement and the Voting Rights Entrustment Agreement shall remain unchanged and in full force and effect and binding on the parties.

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, May 27, 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*