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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2017, the Group's operating results were as follows:

- Total revenue was approximately RMB4,640.1 million, increased by approximately RMB962.4 million, representing a 26.2% increase as compared to the same period of last year.
- Gross profit was approximately RMB1,235.3 million, increased by approximately RMB428.0 million, representing a 53.0% increase as compared to the same period of last year.
- Profit for the period attributable to equity shareholders of the Company was approximately RMB565.1 million, increased by approximately RMB210.6 million, representing a 59.4% increase as compared to the same period of last year.
- The Group's revenue from domestic customers increased by approximately 24.0%, as compared with the same period of last year. The Group's revenue from overseas customers increased by approximately 46.1%, as compared with the same period of last year.
- No interim dividend was declared.

The board of directors (the "**Board**") of Yangtze Optical Fibre and Cable Joint Stock Limited Company* 長飛光纖光纜股份有限公司 (the "**Company**", "**YOFC**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (together, the "**Group**") for the six months ended 30 June 2017 (the "**Period**"), together with the relevant comparative figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017

*(Expressed in Renminbi ("**RMB**"))*

		For the six months ended 30 June	
	Notes	**2017**	2016
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**4,640,074**	3,677,647
Cost of sales		**(3,404,750)**	(2,870,334)
Gross profit		**1,235,324**	807,313
Other income	*5*	**6,853**	17,257
Selling expenses		**(126,069)**	(84,861)
Administrative expenses		**(501,371)**	(298,582)
Profit from operations		**614,737**	441,127
Finance income	*6*	**6,287**	7,863
Finance costs	*6*	**(42,142)**	(108,209)
Net finance costs		**(35,855)**	(100,346)
Share of results of associates		**327**	703
Share of results of joint ventures		**70,395**	54,357
Profit before taxation	*7*	**649,604**	395,841
Income tax	*8*	**(93,868)**	(51,982)
Profit for the period		**555,736**	343,859

	Notes	For the six months ended 30 June **2017** *RMB'000* **(Unaudited)**	2016 *RMB'000* (Unaudited)
Other comprehensive income (item that may be reclassified subsequently to profit or loss):			
Available-for-sale securities		**(9,139)**	12,456
Income tax relating to available-for-sale securities		**1,358**	(1,868)
Exchange differences on translation of financial statements of overseas subsidiaries		**(461)**	6,041
Other comprehensive income for the period		**(8,242)**	16,629
Total comprehensive income for the period		**547,494**	360,488
Profit for the period attributable to:			
Equity shareholders of the Company		**565,103**	354,514
Non-controlling interests		**(9,367)**	(10,655)
Profit for the period		**555,736**	343,859
Total comprehensive income for the period attributable to:			
Equity shareholders of the Company		**556,942**	369,371
Non-controlling interests		**(9,448)**	(8,883)
Total comprehensive income for the period		**547,494**	360,488
Earnings per share *(RMB)*			
Basic and diluted	*9*	**0.83**	0.52

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

(Expressed in RMB)

	Notes	**30 June 2017** *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment		**1,757,835**	1,321,032
Construction in progress		**153,179**	466,281
Intangible assets		**201,266**	211,432
Lease prepayments		**228,735**	231,734
Interest in associates		**11,415**	11,088
Interest in joint ventures		**1,075,249**	1,041,507
Other non-current assets		**187,149**	203,511
Deferred tax assets		**51,758**	55,956
Total non-current assets		**3,666,586**	3,542,541
Current assets			
Inventories	*11*	**670,295**	644,378
Trade and bills receivables	*12*	**2,961,315**	2,072,305
Deposits, prepayments and other receivables		**284,392**	238,183
Income tax recoverable		**899**	4,831
Other financial assets	*13*	**54,122**	248,801
Cash and cash equivalents		**1,501,345**	1,427,575
Total current assets		**5,472,368**	4,636,073
Current liabilities			
Bank loans	*14*	**1,225,343**	886,870
Trade and bills payables	*15*	**1,201,646**	880,481
Accrued expenses and other payables		**1,059,109**	802,574
Income tax payable		**80,392**	65,839
Total current liabilities		**3,566,490**	2,635,764
Net current assets		**1,905,878**	2,000,309

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Total assets less current liabilities		**5,572,464**	5,542,850
Non-current liabilities			
Bank loans	*14*	**488,470**	869,579
Deferred income		**257,303**	237,453
Total non-current liabilities		**745,773**	1,107,032
Net assets		**4,826,691**	4,435,818
Capital and reserves			
Share capital		**682,115**	682,115
Reserves		**3,877,964**	3,494,961
Total equity attributable to equity shareholders of the Company		**4,560,079**	4,177,076
Non-controlling interests		**266,612**	258,742
Total equity		**4,826,691**	4,435,818

Notes:

1. CORPORATE INFORMATION

Yangtze Optical Fibre and Cable Company Ltd. 長飛光纖光纜有限公司 was established in the People's Republic of China (the "**PRC**" or "**China**") on 31 May 1988 as a sino-foreign equity joint venture. On 27 December 2013, it was renamed as Yangtze Optical Fibre and Cable Joint Stock Limited Company* 長飛光纖光纜股份有限公司 and was converted into a foreign invested joint stock limited liability company in the PRC. On the same date, the Company's equity was converted into 479,592,598 ordinary shares with a par value of RMB1.00 each.

The Company's H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") on 10 December 2014. On the same date, the Company issued a total number of 159,870,000 H shares with a par value of RMB1.00 each at a price of HK$7.39 per H share by way of public offering of the Company's H shares to Hong Kong and overseas investors.

On 18 December 2015, the Company completed the issuance of domestic shares and H shares to certain directors and selected employees and the private placement of H shares to four independent professional institutional investors. A total number of 42,652,000 shares (including H shares and domestic shares) with a par value of RMB1.00 each were issued at a subscription price of HK$7.15 per share.

The Group is principally engaged in the research, development, production and sale of optical fibre preforms, optical fibres, optical fibre cables and related products.

2. BASIS OF PREPARATION

The interim condensed financial information for the Period has neither been audited nor reviewed by the Company's auditors, but has been reviewed by the Company's audit committee, which has been prepared in accordance with the applicable disclosures provisions of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange ("**Hong Kong Listing Rules**"), including compliance with International Accounting Standard 34 "Interim Financial Reporting" adopted by the International Accounting Standard Board. It was authorised for issue on 17 August 2017.

The unaudited interim condensed financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual report for the year ended 31 December 2016.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this interim condensed financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016, except for the adoption of new amendments issued by the International Accounting Standards Board that are mandatory for annual periods beginning on or after 1 January 2017. The adoption of these new amendments has had no significant financial effect on the financial position performance of the Group.

4. REVENUE

The Group is principally engaged in the manufacturing and sales of optical fibre preforms, optical fibres, optical fibre cables and other related products and services. Revenue represents the sales value of goods supplied to customers, net of value added tax.

5. OTHER INCOME

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Dividend income from available-for-sale equity securities	**156**	5,405
Royalty fees	**2,950**	2,950
Government grants	**4,576**	6,795
Rental income from operating leases	**985**	400
Gain on disposal of available-for-sale equity securities	**–**	2,897
Net loss on disposal of property, plant and equipment	**(1,909)**	(938)
Net realised and unrealised gain/loss on trading securities	**95**	(252)
	6,853	17,257

6. NET FINANCE COSTS

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(a) Finance income		
Interest income	**6,287**	7,863
(b) Finance costs		
Interest on bank loans	**(32,353)**	(24,613)
Less: interest expenses capitalised into construction in progress	**241**	381
	(32,112)	(24,232)
Other finance costs	**–**	(409)
Net foreign exchange losses	**(7,515)**	(78,511)
Bank charges	**(2,515)**	(5,057)
Finance costs	**(42,142)**	(108,209)

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Staff costs

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Salaries, wages and other benefits	**349,147**	212,644
Contributions to defined contribution retirement plan	**31,753**	22,685
	380,900	235,329

Pursuant to the relevant labour rules and regulations in the PRC, the Company and its subsidiaries in the PRC participated in defined contribution retirement scheme (the "**Scheme**") organised by the relevant local government authority for their employees. The Company and its subsidiaries in the PRC are required to make contributions to the Scheme at 19% of basic salaries of the employees. The local government authority is responsible for the entire pension obligations payable to retired employees. The Group has no other material obligation to make payments in respect of pension benefits associated with this scheme other than the annual contribution described above.

(b) Other items

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Amortisation		
– lease prepayments	**2,998**	2,037
– intangible assets	**11,853**	9,438
Depreciation		
– property, plant and equipment held for use under operating leases	**1,146**	434
– other property, plant and equipment	**81,115**	65,605
Research and development costs	**156,733**	101,357
Cost of inventories	**3,412,816**	2,875,276

8. INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Taxation in the consolidated statements of comprehensive income represents:

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax		
Provision for the period	**88,313**	49,078
Deferred tax		
Origination and reversal of temporary differences	**5,555**	2,904
	93,868	51,982

The Company and its PRC subsidiaries are subject to PRC corporate income tax at the statutory rate of 25%.

Pursuant to the corporate income tax law and the relevant approval documents, the Company was qualified as an approved high-tech enterprise and is entitled to a preferential income tax rate of 15% during the Period, subject to the fulfillment of the recognition criteria. An approval document was issued by the relevant authority in 2014 which stated that the Company is qualified as an approved high-tech enterprise for another three years from 2015 to 2017.

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries and regions.

9. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB565,103,000 (six months ended 30 June 2016: RMB354,514,000) and the weighted average of 682,114,598 ordinary shares (six months ended 30 June 2016: 682,114,598 shares) in issue during the Period.

(b) Diluted earnings per share

The Company did not have any potential dilutive shares throughout the Period. Accordingly, diluted earnings per share are the same as basic earnings per share.

10. SEGMENT REPORTING

The Group manages its businesses by products. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments for the Period. No operating segments have been aggregated to form the following reportable segments.

- Optical fibres and preforms: this segment produces optical fibres and optical fibre preforms which are sold to external parties.

- Optical fibre cables: this segment produces optical fibre cables which are sold to external parties.

The Group combined other business activities that are not reportable in "Others". Revenue included in this category is mainly from sales of equipment, raw materials and other related products.

(a) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following basis:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. The measure used for reporting segment results is gross profit.

The Group's assets, liabilities, other operating expenses, such as selling and administrative expenses, finance income and finance costs, and share of results of associates and joint ventures, are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expense, etc. is presented.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the Period is set out below:

	For the six months ended 30 June 2017 (Unaudited)			
	Optical fibres and preforms *RMB'000*	**Optical fibre cables** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Reportable segment revenue				
Gross revenue from external customers	**2,259,884**	**2,126,342**	**265,374**	**4,651,600**
Elimination of revenue relating to downstream transactions with joint ventures	**(12,222)**	**–**	**696**	**(11,526)**
Revenue from external customers	**2,247,662**	**2,126,342**	**266,070**	**4,640,074**
Reportable segment profit (gross profit)				
Segment profit before elimination of unrealised profits	**931,200**	**261,117**	**51,217**	**1,243,534**
Elimination of unrealised profits on downstream transactions with joint ventures	**(8,210)**	**–**	**–**	**(8,210)**
Reportable segment profit (gross profit)	**922,990**	**261,117**	**51,217**	**1,235,324**

	For the six months ended 30 June 2016 (Unaudited)			
	Optical fibres and preforms	Optical fibre cables	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment revenue				
Gross revenue from external customers	1,920,608	1,574,229	174,489	3,669,326
Elimination of revenue relating to downstream transactions with joint ventures	8,576	–	(255)	8,321
Revenue from external customers	1,929,184	1,574,229	174,234	3,677,647
Reportable segment profit (gross profit)				
Segment profit before elimination of unrealised profits	669,559	109,821	30,566	809,946
Elimination of unrealised profits on downstream transactions with joint ventures	(2,633)	–	–	(2,633)
Reportable segment profit (gross profit)	666,926	109,821	30,566	807,313

(b) Geographical information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the goods are delivered.

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Mainland China (place of domicile)	**4,117,866**	3,320,265
Others	**522,208**	357,382
	4,640,074	3,677,647

The geographical location of the Group's non-current assets is in the PRC, The Republic of Indonesia, The Republic of South Africa and The State of Israel during the Period.

11. INVENTORIES

The Group's inventories in the consolidated statement of financial position comprise:

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Raw materials and spare parts	**255,635**	235,505
Work in progress	**101,720**	78,354
Finished goods	**312,940**	330,519
	670,295	644,378

12. TRADE AND BILLS RECEIVABLES

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables		
– related parties	**229,179**	168,538
– third parties	**2,411,420**	1,757,382
Bills receivable	**370,132**	176,071
Less: allowance for doubtful debts	**(49,416)**	(29,686)
	2,961,315	2,072,305

All of the trade and bills receivables are expected to be recovered within one year.

Ageing analysis

The ageing analysis of trade and bills receivables, based on the invoice date and net of allowance for doubtful debts, of the Group is as follows:

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**1,868,594**	1,696,918
3 to 6 months	**284,512**	148,389
6 months to 1 year	**633,703**	159,374
1 to 2 years	**150,486**	53,462
2 to 3 years	**14,098**	13,813
Over 3 years	**9,922**	349
	2,961,315	2,072,305

During the Period, the Group's customers included certain joint ventures, three state-owned telecommunications network operators (the "**Three State-owned Telecommunications Operators**") and other third parties. The Group generally required the Three State-owned Telecommunications Operators to make 70%-80% payment upon receipt of goods and pay the remaining balance in one year. In addition, the Group granted credit periods of 30 to 90 days to those long standing third party customers with good payment history and the joint ventures. The credit period of individual customers is considered on a case-by-case basis and set out in the sales contracts, as appropriate. Normally, the Group does not obtain collateral from customers.

13. OTHER FINANCIAL ASSETS

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trading securities		
– listed in the PRC	**8,788**	5,603
Available-for-sale debt securities		
– unlisted	**45,334**	38,198
Restricted bank deposits	**–**	205,000
	54,122	248,801

Available-for-sale debt securities represents wealth management products issued by certain stated-owned or listed commercial banks in the PRC. As at 30 June 2017, the available-for-sale debt securities were neither past due nor impaired.

14. BANK LOANS

The Group's bank loans are unsecured and they are repayable as follows:

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	**1,225,343**	886,870
After 1 year but within 2 years	**200,470**	600,579
After 2 years but within 5 years	**246,000**	227,000
After 5 years	**42,000**	42,000
	488,470	869,579
	1,713,813	1,756,449

Certain of the Group's bank loans are subject to the fulfillment of covenants relating to the Group's assets/liabilities ratio, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the bank loans would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 30 June 2017 and 31 December 2016, none of the covenants relating to bank loans had been breached.

15. TRADE AND BILLS PAYABLES

	30 June 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Trade payables		
– related parties	**295,804**	186,610
– third parties	**758,072**	608,588
Bills payable	**147,770**	85,283
	1,201,646	880,481

All trade and bills payables are expected to be settled within one year or are repayable on demand.

Ageing analysis

The ageing analysis of the Group's trade and bills payables, based on invoice date, is as follows:

	30 June 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Within 1 year	**1,187,321**	873,730
Over 1 year but within 2 years	**9,620**	3,516
Over 2 years but within 3 years	**1,641**	594
Over 3 years	**3,064**	2,641
	1,201,646	880,481

16. DIVIDENDS

Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the Period:

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Final dividend in respect of the previous financial year and approved during the Period RMB0.255 per share (six months ended 30 June 2016: RMB0.174 per share)	**173,939**	118,688

Dividends payable to equity shareholders of the Company attributable to the previous financial period and paid during the Period were RMB Nil (six months ended 30 June 2016: Nil).

The Board did not declare any interim dividend for the current and prior periods.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

During the first half of 2017, being one of the global leading optical fibre preform, optical fibre and optical fibre cable suppliers, the Group's revenue reached approximately RMB4,640.1 million for the Period, increased by approximately 26.2% as compared to the same period of 2016 of approximately RMB3,677.6 million. The Group's gross profit reached approximately RMB1,235.3 million, increased by approximately 53.0% as compared to the same period of 2016 of approximately RMB807.3 million. The Group's profit for the Period attributable to the equity shareholders of the Company amounted to approximately RMB565.1 million, increased by approximately 59.4% as compared to the same period of 2016 of approximately RMB354.5 million.

Basic earnings per share was RMB0.83 per share (six months ended 30 June 2016: RMB0.52 per share).

Revenue

The Group's revenue for the Period was approximately RMB4,640.1 million, representing an increase of 26.2% as compared to the same period of 2016 of approximately RMB3,677.6 million.

By product segment, revenue of approximately RMB2,247.7 million was contributed from the Group's optical fibre preform and optical fibre segment, representing a growth of 16.5% as compared to the same period of 2016 of approximately RMB1,929.2 million and accounting for 48.4% of the Group's total revenue; while revenue of RMB2,126.3 million was contributed from the optical fibre cable segment, representing a growth of 35.1% as compared to the same period of 2016 of approximately RMB1,574.2 million and accounting for 45.8% of the Group's total revenue. The substantial growth in the Group's total revenue was mainly due to the ramp up of 4G infrastructure construction by the Three State-owned Telecommunications Operators and the ongoing national initiatives such as "Broadband China", "Internet plus" announced by the PRC government, which provide positive catalysts and bring in additional momentum, in particular, the demand for optical fibres and optical fibre cables.

Revenue of approximately RMB266.1 million was contributed from others, representing an increase of 52.7% as compared to the same period of 2016 of approximately RMB174.2 million and accounting for 5.8% of the Group's total revenue because of the development of the Company's new business including RF cables, indoor cabling, cloud computing and network construction and services.

By geographical segment, revenue of approximately RMB4,117.9 million was from customers in the PRC, representing an increase of 24.0% as compared to the same period of 2016 of approximately RMB3,320.3 million and accounting for approximately 88.7% of the Group's total revenue, while revenue of approximately RMB522.2 million was from customers in overseas, representing an increase of 46.1% as compared to the same period of 2016 of approximately RMB357.4 million and accounting for approximately 11.3% of the Group's total revenue. The increase in overseas sales was mainly driven by the increase of optical fibre cables and indoor cabling, mainly by reason of the Company's continuous efforts to steadily implement the internationalisation strategy.

Cost of sales

The Group's cost of sales for the Period was approximately RMB3,404.8 million, representing an increase of 18.6% as compared to the same period of 2016 of approximately RMB2,870.3 million and accounting for 73.4% of the Group's revenue. The increase in cost of sales was in line with the increase in the Group's revenue.

The Group's cost of sales included (i) raw material costs; (ii) manufacturing overheads (including depreciation on machinery and equipment, consumables, rental expenses, utilities and other manufacturing overheads); and (iii) direct labour costs.

For the Period, the Group's total raw material costs was approximately RMB3,020.1 million, representing an increase of 15.3% as compared to approximately RMB2,619.2 million during the first half of 2016.

For the Period, the Group's manufacturing overheads and direct labour costs amounted to approximately RMB384.7 million, representing an increase of 53.2% as compared to RMB251.1 million during the first half of 2016.

Gross profit and gross profit margin

For the Period, the Group reported a gross profit of RMB1,235.3 million, representing an increase of 53.0% as compared to RMB807.3 million during the first half of 2016, the gross profit margin increased from 22.0% during the first half of 2016 to 26.6% during the first half of 2017. The increase in gross profit margin was mainly due to the changes in sales structure and the increase in average selling price of optical fibre preforms, optical fibres and optical fibre cables.

Selling expenses

The Group's selling expenses for the Period were approximately RMB126.1 million, representing an increase of 48.6% as compared to RMB84.9 million during the first half of 2016. The increase was mainly due to more optical fibres and optical fibre cables were sold during the Period which resulted in much more transportation costs both domestically and globally.

Administrative expenses

The Group's administrative expenses for the Period were approximately RMB501.4 million, representing an increase of 67.9% as compared to RMB298.6 million during the first half of 2016. The increase was mainly because of the increase in research and development expenses, staff costs, as well as administrative expenses incurred by the newly established subsidiaries.

Net finance costs

The Group's net finance costs for the Period decreased by RMB64.5 million compared to the same period of last year, of which a decrease of RMB71.0 million was due to the foreign exchange losses of the re-measurement of foreign currency debt, mainly in foreign currency bank loans. During the Period, the Group continued to restructure its bank loan by borrowing more RMB loans in order to decrease the net foreign exchange losses from the exchange depreciation of RMB against the US Dollar and the Euro. As at 30 June 2017, 98.8% of the bank loans was in RMB and 1.2% was in US Dollar.

The effective interest rates of the Group's bank loans during the Period ranged from 1.20% to 4.75% per annum (the first half of 2016: 0.77% to 3.92% per annum).

Share of results of associates and joint ventures

During the Period, there was a substantial improvement in the share of profits from the associates and joint ventures, which increased from approximately RMB55.1 million in the first half of 2016 to approximately RMB70.7 million in the first half of 2017, the increase was mainly due to the significant growth in the Chinese market for the optical fibre demands.

Income tax

The Group's income tax for the Period was RMB93.9 million, increased by approximately 80.6% as compared to RMB52.0 million during the first half of 2016. Besides, the effective tax rate increased from 13.1% in 2016 to 14.5% in 2017. In 2014, the Company continued to be recognised as an approved high-tech enterprise for another three years starting from 2015 to 2017 and was entitled to a preferential tax rate of 15%.

Capital expenditures

For the Period, the Group incurred a total capital expenditure of approximately RMB212.6 million for the purchases of property, plant and equipment, intangible assets and lease prepayments, which were primarily related to the global expansion of the production capacity in the three main products as well as the improvement in production efficiency of the existing production capacity in optical fibre preforms and optical fibres.

Use of proceeds from the private placement

The Company issued an aggregate of 11,869,000 H shares and 30,783,000 domestic shares by way of private placement on 18 December 2015. The aggregate net proceeds from the private placement (after deducting underwriting fees and related issuing expenses) amounted to approximately RMB251.3 million (equivalent to approximately HK$302.5 million). As stated in the circular and announcements of the Company in relation to the private placement, the aggregate net proceeds from the Subscription of H Shares and domestic shares by the connected persons and employees' limited partnerships amounted to (i) RMB189.5 million (equivalent to approximately HK$228.6 million) would be used to construct the Phase II project of YOFC Science & Technology Park in Qianjiang to expand the optical fibre preform production capacity of the Group, and the aggregate net proceeds from the placing of H Shares amounted to (ii) RMB61.8 million (equivalent to approximately HK$73.9 million) would be used to support the development of the business of the Group, in particular, to expand the production capacity both domestically and abroad, and as general working capital, respectively.

Up to the end of 30 June 2017, the aggregate net proceeds from the Private Placement amounting to RMB251.3 million (equivalent to approximately HK$302.5 million) has been used to (i) contribute capital of RMB189.5 million (equivalent to approximately HK$228.6 million) to Yangtze Optical Fibre (Qianjiang) Co., Ltd., a wholly owned subsidiary, which is responsible for the Phase II project of YOFC Science & Technology Park in Qianjiang, as at 30 June 2017, the paid-up capital has been used to purchase land and build plant; (ii) for capacity expansion in overseas (a) contribute capital of RMB10.5 million (equivalent to approximately HK$12.6 million) to PT. Yangtze Optical Fibre Indonesia, a non-wholly owned subsidiary in Indonesia, as at 30 June 2017, the paid-up capital has been used to purchase fibre drawing equipment; (b) contribute capital of RMB33.1 million (equivalent to approximately HK$39.6 million) to Yangtze Optics Africa Holdings Proprietary Limited, a non-wholly owned subsidiary in South Africa, as at 30 June 2017, the paid capital has been used to purchase optical cable equipment; and (c) pay RMB18.2 million (equivalent to approximately HK$21.7 million) as general working capital for operating expenses. Up to the end of 30 June 2017, the net proceeds from the Private Placement had been fully utilised in accordance with the uses as set out in the circular and announcements of the Company in relation to the Private Placement.

Use of proceeds from the private placement	Planned Percentage	Planned use of net proceeds	Actual use of net proceeds As at 31 December 2016	As at 24 March 2017#	As at 30 June 2017	Unused proceeds as at 30 June 2017
			(in RMB millions, except for percentage)			
Constructing the phase II project of YOFC Science & Technology Park in Qianjiang to expand preform capacity	75%	189.5	189.5	189.5	189.5	–
Supporting the development and capacity expansion of the Group and supplement working capital	25%	61.8	52.8	52.8	61.8	–
Total	100%	251.3	242.3	242.3	251.3	–

Date of 2016 annual report

Gearing ratio

The Group monitors its leverage using a gearing ratio, which is net debts divided by total equity. Net debts include all bank loans less cash and cash equivalents. The Group's gearing ratio as at 30 June 2017 was 4.4% (31 December 2016: 7.4%).

Cash flow analysis

The following table sets forth the selected cash flow data derived from the consolidated cash flow statement for the six months ended 30 June 2017.

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net cash generated/(used) in operating activities	**173,222**	(140,315)
Net cash used in investing activities	**(38,300)**	(469,250)
Net cash (used)/generated from financing activities	**(56,767)**	54,638
Net increase/(decrease) in cash and cash equivalents	**78,155**	(554,927)

The Group's net cash generated from operating activities increased by approximately RMB313.5 million, which was mainly because the increase in revenue was greater than the net increase in trade and bills receivables and trade and bills payables.

The Group's net cash used in investing activities decreased by approximately RMB431.0 million, which was mainly due to the investments on local and overseas projects in order to expand production capacity of the Group mainly completed in 2016 such as Phase II project of YOFC Science & Technology Park in Qianjiang.

The Group's net cash generated from financing activities decreased by approximately RMB111.4 million, which was mainly due to the decrease of the Group's bank loans during the first half of 2017 and the increase of the Group's bank loans during the same period in 2016.

Net current assets

As at 30 June 2017, the Group's net current assets was RMB1,905.9 million, representing a decrease of RMB94.4 million from RMB2,000.3 million as at 31 December 2016. The decrease in net current assets was mainly due to the repayment of part of the long term loans denominated in US Dollar during the Period for the purpose of minimizing the exchange risk exposure.

Bank loans

As at 30 June 2017, the Group's bank loans were RMB1,713.8 million, representing a decrease of RMB42.6 million from approximately RMB1,756.4 million as at 31 December 2016. As at 30 June 2017, 87.8% of the Group's bank loans were fixed rate loans and 12.2% were floating rate loans.

After the Renminbi fixing reform on 11 August 2015, the RMB was getting weaker against US Dollars and Euro. The Group lowered the proportions of US Dollar and Euro loans by way of replacing US Dollar and Euro loans with RMB loans. As a result, the proportions of US Dollar and Euro loans decreased from 36.3% as at 31 December 2016 to 1.2% as at 30 June 2017, while the proportion of RMB loans increased from 63.7% as at 31 December 2016 to 98.8% as at 30 June 2017.

Commitments and contingencies

As at 30 June 2017, the Group had the following outstanding commitments:

	30 June 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Contracted for		
– property, plant and equipment	**244,130**	179,538
– investment in joint ventures	**89,774**	16,718
– lease prepayments	**16,537**	–
Authorised but not contracted		
– property, plant and equipment	**708,711**	748,964
– lease prepayments	**–**	16,831
	1,059,152	962,051

As at 30 June 2017, the Group did not have any material contingent liability.

CHARGE ON ASSETS

As at 30 June 2017, except for Ally First Optical Fibre and Cable Co., Ltd., a non-wholly owned subsidiary of the Company which pledged its land and buildings to secure a RMB20.0 million bank loan, the Group did not pledge other assets to secure any banking facility or bank loan.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Most of the revenues and expenses are settled in RMB while some of the Group's sales, purchases and financial liabilities are denominated in US Dollars and Euro. Most of the bank deposits are in RMB, US Dollars, Euro and HK Dollars.

Owing to the RMB devaluation since August 2015 and RMB's weakness has been gathering speed, RMB against other foreign currencies was no longer as strong as in the past. As a result, this might bring up cost of purchases and the re-measurement of our foreign currency liabilities would result in foreign exchange losses. During the Period, the Group suffered from the unfavourable fluctuations in exchange rate movements between RMB and US Dollars or Euro, which resulted in net foreign exchange losses of RMB7.5 million.

During the Period, the Group entered into several currency structured forward contracts to reduce the foreign exchange risks. The Group will closely monitor the ongoing movements on exchange rates and will consider entering into other hedging arrangements to minimise our foreign exchange exposures in 2017.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2017, the Group had approximately 3,920 full-time employees (31 December 2016: 3,500 full-time employees). The Group has designed an annual evaluation system to assess the performance of its employees. Such system forms the basis of determining whether an employee should be entitled to salary increments, bonuses or promotion. The salaries and bonuses that the employees receive are competitive with market rates. The Company has been in compliance with the relevant national and local labour and social welfare laws and regulations in the PRC.

The Group arranges external training courses, seminars and technical courses for employees to enhance their professional knowledge and skills, their understanding of market development and management and operational skills.

To further enhance the Company's corporate structure, incentivise the Company's management and core personnel team as well as establish a sound mid-to-long term incentive plan, the Company implemented the Employee Stock Ownership Scheme on 18 December 2015. The target participants are core personnel playing a crucial role in the Company's overall operation and mid-to-long term development, including directors, supervisors, senior management, and key employees of the Group (excluding independent non-executive directors and external supervisors).

OFF-BALANCE SHEET ARRANGEMENTS

As at 30 June 2017, the Company discounted and endorsed certain bank bills receivable with a carrying amount of approximately RMB153.1 million (31 December 2016: RMB293.8 million) to certain commercial banks in the PRC and its suppliers.

FORMATION OF JOINT VENTURE IN INDONESIA

PT Yangtze Optics Indonesia

On 13 April 2017, the Company established a joint venture namely PT Yangtze Optics Indonesia ("**YOI**") in Indonesia with PT Fiber Optik Teknologi Indonesia ("**PT FOTI**"). Its business scope is engaged in optical fibre cable industry business activities. The total paid-up capital of this joint venture was USD14 million and this joint venture is held as to 70% by the Company and 30% by PT FOTI. For the Period, a total of USD3.92 million was contributed by the Company to YOI.

YOI, headquartered in Jakarta Indonesia, is the second joint venture enterprise after PT Yangzte Optical Fibre Indonesia which was invested by YOFC in Indonesia in January 2015. Its plant is located in Karawang, West Java. After the project is built up, its annual production capacity of optical fibre cable is up to 2.0 million fibre kilometers.

In response to "the Belt and Road" Initiative, the listed YOFC has accelerated its layout of globalization. YOI is a milestone for YOFC to march towards the world, marking that YOFC has accelerated its strategy of internationalization and globalization. Indonesia, with a population of 260.0 million, is the world's fourth largest country in terms of population. In recent years, Indonesia was stable in political situation and economic development. Indonesian government has launched national broadband plan to boost the development of internet and broadband sharply. Therefore, it can be expected that Indonesia will come to its climax of building the optical networks, with huge market demands on optical fibres and cables. The establishment of YOI will complete YOFC's closed loop of optical fibre and cable industry in Indonesia. Based on integrating the shareholders' resources, the new company will be rooted in Indonesia and radiated towards surrounding countries and regions, and is to be one of most influential manufacturers of optical fibre cable in Indonesia and ASEAN region.

The establishment of YOI did not constitute notifiable transactions or connected transactions of the Company under Chapter 14 and Chapter 14A of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Hong Kong Listing Rules**").
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Save as disclosed in this announcement, there were no significant investments held, material acquisitions, or disposal of subsidiaries during the Period. Save as those disclosed in this announcement, there was no plan authorised by the Board for other material investments or additions of capital assets as at the date of this announcement.

OUTLOOK

At a meeting of the Board held on 23 December 2016, the Company proposed to apply to the China Securities Regulatory Commission (the "**CSRC**") and other relevant regulatory authorities for an initial public offering of domestic listed RMB-denominated ordinary shares ("**A shares**") each with a nominal value of RMB1.00 to the qualified investors and a listing of such A shares on the Shanghai Stock Exchange. The total number of A shares to be issued will be not more than 75,790,510 A shares. The proposals in relation to the proposed A share offering of the Company were approved by the shareholders on 23 May 2017. The Company has submitted its application in respect of the proposed A share offering to the CSRC, and the CSRC has officially accepted the application for further review. The application proof of the A share prospectus has been made available on the websites of the Hong Kong Stock Exchange and the Company. The proposed A share offering is expected to raise the overall competitiveness of the Company and strengthen the capability of the Company in terms of sustainable development. The proposed A share offering is subject to certain conditions, including but not limited to the market conditions, the approvals of the CSRC and/or other relevant regulatory authorities, and accordingly, may or may not proceed. Further details of the proposed A share offering and the related proposals, as well as its progress, are set out in the circulars of the Company dated 6 April 2017 and 5 May 2017, and the announcement of the Company dated 30 June 2017. As of the date of this announcement, the Company's application in respect of the proposed A share offering is under review by the CSRC. The Company will update the shareholders and investors on the progress of the proposed A share offering from time to time by way of disclosure in announcements and periodic reports pursuant to the applicable PRC laws, regulations and regulatory requirements as well as the requirements under the Hong Kong Listing Rules.

China's information communication industry is embracing new historical opportunities. The government is advocating the "internet plus" action plan, and promoting the "Broadband China" campaign. Three major telecom operators are making continuous efforts in the network construction.

Optical fibre is a key carrier for data transmission and communication. At the age of data explosion, adhering to the mission of "Smart Link, Better Life", and the concept of "Client Focus, Accountability, Innovation, Stakeholder Benefits", YOFC provides client focus worldwide with high quality optical fibre connection products and comprehensive solutions, and gives impetus to the construction of the intelligent network, which supports the development of intelligent cities, intelligent communities, and intelligent traffic. It works together with client focus to realize smart links, and creates a better life with the Internet of Everything. "Developing big data and expanding influence", YOFC will keep pace with the tide, dare to shoulder historic accountability, push forward the development of big data and information industry, and expand the global influence of YOFC and the national industry.

2017 marks a new beginning of YOFC. In 2016, YOFC became the world's largest supplier of optical fibre preforms, optical fibre and optical cables. Looking into the future, centering on the strategic goal of "Becoming Global No.1 and Industrial Leader", the company will push forward intensive growth of its optical fibre preforms, optical fibre and optical cables businesses, enhance technological innovation and intelligent manufacturing, intensify international strategy, actively exploit diversified development, improve capital operation, create more value for shareholders and client focus, and strive to develop itself into the leader in information transmission and smart links in the world.

DIVIDEND

The Board resolved not to declare any interim dividend for the Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Period.

AUDIT COMMITTEE REVIEW

The audit committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2017.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

As a company incorporated in the PRC and listed on the Hong Kong Stock Exchange, the Company has to comply with the relevant provisions of the Hong Kong Listing Rules and to abide by the PRC Company Law and the applicable laws, regulations and regulatory requirements of Hong Kong and the PRC as the basis for the Company's corporate governance.

The Company has adopted all the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Hong Kong Listing Rules (the "**CG Code**"). The Company has complied with all the code provisions under the CG Code for the six months ended 30 June 2017.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Company Securities Dealing Regulations on Directors, Supervisors and Related Employees (the "**Company's Code**") as its own code regarding securities transactions by directors and supervisors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Hong Kong Listing Rules. Having made specific enquiries in writing of the directors and supervisors of the Company, all directors and supervisors of the Company have confirmed that they have complied with the required standard set out in the Model Code and the Company's Code regarding securities transactions throughout the six months ended 30 June 2017.

INTERIM REPORT

The interim report for the Period will be despatched to the shareholders of the Company and made available on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.yofc.com in due course.

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, Hubei, PRC, 17 August 2017

As at the date of this announcement, the Board comprises Zhuang Dan and Frank Franciscus Dorjee, as executive directors; Ma Jie, Yao Jingming, Philippe Claude Vanhille, Pier Francesco Facchini, Xiong Xiangfeng and Zheng Huili, as non-executive directors; Ngai Wai Fung, Ip Sik On Simon, Li Ping and Li Zhuo, as independent non-executive directors.

* *For identification purposes only*