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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

HIGHLIGHTS

- Total turnover was RMB5,676.8 million, increased by approximately 17.6%.
- Gross profit and gross profit margin were RMB1,087.6 million and 19.2%, respectively.
- Profit for the year attributable to equity shareholders of the Company was RMB466.3 million, increased by approximately 12.4%.
- The Group's turnover from domestic business increased by approximately 17.7%, when compared with the prior year. The Group's overseas turnover increased by approximately 16.2%, when compared with the prior year.
- The board of directors of the Company (the "**Board**") recommended a final dividend of RMB0.166 (before tax) per share.

Yangtze Optical Fibre and Cable Joint Stock Limited Company* 長飛光纖光纜股份有限公司 (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2014, extracted from the audited consolidated financial statements of the Group as set out in its 2014 annual report. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and audited by KPMG, the auditors of the Company. In addition, the annual results have also been reviewed by the audit committee of the Company.

* *For identification purposes only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Turnover	4	**5,676,782**	4,825,895
Cost of sales		**(4,589,224)**	(3,808,113)
Gross profit		**1,087,558**	1,017,782
Other revenue and net income	5	**31,633**	21,280
Selling expenses		**(124,271)**	(109,758)
Administrative expenses		**(441,173)**	(438,857)
Profit from operations		**553,747**	490,447
Finance income	6	**52,041**	42,526
Finance costs	6	**(99,244)**	(81,300)
Net finance costs		**(47,203)**	(38,774)
Share of results of associates		**(1,021)**	(2,750)
Share of results of joint ventures		**29,215**	21,360
Profit before taxation	7	**534,738**	470,283
Income tax	8	**(70,701)**	(55,242)
Profit for the year		**464,037**	415,041
Other comprehensive income (item that may be reclassified subsequently to profit or loss):			
Available-for-sale securities		**22,648**	7,171
Income tax relating to available-for-sale securities		**(3,398)**	(1,075)
Other comprehensive income for the year		**19,250**	6,096
Total comprehensive income for the year		**483,287**	421,137
Profit for the year attributable to:			
Equity shareholders of the Company		**466,344**	415,041
Non-controlling interests		**(2,307)**	–
Profit for the year		**464,037**	415,041
Total comprehensive income for the year attributable to:			
Equity shareholders of the Company		**485,594**	421,137
Non-controlling interests		**(2,307)**	–
Total comprehensive income for the year		**483,287**	421,137
Earnings per share (RMB)	9		
Basic and diluted		**0.95**	0.87

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Renminbi)

	Note	**31 December 2014** *RMB'000*	31 December 2013 *RMB'000*
Non-current assets			
Property, plant and equipment		**782,530**	819,923
Construction in progress		**93,888**	40,030
Intangible assets		**151,019**	–
Lease prepayments		**117,788**	12,838
Interest in associates		**28,712**	29,733
Interest in joint ventures		**655,003**	621,074
Other non-current assets		**124,310**	156,289
Deferred tax assets		**25,964**	33,574
Total non-current assets		**1,979,214**	1,713,461
Current assets			
Inventories	*11*	**697,461**	721,303
Trade and bills receivables	*12*	**1,745,118**	1,508,587
Deposits, prepayments and other receivables		**152,530**	156,867
Other financial assets		**5,840**	–
Income tax recoverable		**–**	1,135
Cash and cash equivalents		**2,010,953**	906,378
Total current assets		**4,611,902**	3,294,270
Current liabilities			
Bank loans	*13*	**1,465,229**	808,188
Trade and bills payables	*14*	**699,903**	713,540
Accrued expenses and other payables	*15*	**411,956**	1,078,492
Income tax payable		**7,179**	–
Total current liabilities		**2,584,267**	2,600,220
Net current assets		**2,027,635**	694,050
Total assets less current liabilities		**4,006,849**	2,407,511

	Note	**31 December 2014**	31 December 2013
		RMB'000	*RMB'000*
Non-current liabilities			
Bank loans	*13*	**1,018,878**	813,936
Deferred income		**76,480**	83,923
Total non-current liabilities		**1,095,358**	897,859
Net assets		**2,911,491**	1,509,652
Capital and reserves			
Share capital	*16*	**639,463**	479,593
Reserves		**2,174,335**	1,030,059
Total equity attributable to equity shareholders of the Company		**2,813,798**	1,509,652
Non-controlling interests		**97,693**	–
Total equity		**2,911,491**	1,509,652

Notes:

1. CORPORATE INFORMATION

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

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. The Company's H shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 10 December 2014.

The Company and its subsidiaries (the "**Group**") are principally engaged in the research, development, production and sale of preforms, optical fibres, optical fibre cables and related products.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations promulgated by the International Accounting Standards Board ("**IASB**"). These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**").

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. The Group has adopted all applicable new and revised IFRSs during the year ended 31 December 2014, except for any new standards or interpretations that are not yet effective for the accounting period beginning from 1 January 2014.

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2014 comprise the Company and its subsidiaries and the Group's interest in associates and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that financial instruments classified as available-for-sale are stated at their fair value.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are further discussed in the annual report.

4. TURNOVER

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. Turnover represents the sales value of goods supplied to customers, net of value added tax.

During the year ended 31 December 2014, the Group had one customer (2013: one) with whom transactions had exceeded 10% of the Group's annual turnover.

Sales to that customer during the year ended 31 December 2014 represented 21% (2013: 24%), of the Group's annual turnover.

5. OTHER REVENUE AND NET INCOME

	2014	2013
	RMB'000	*RMB'000*
Other revenue		
Dividend income from unlisted equity securities	**3,655**	4,049
Royalty fees	**6,300**	6,300
Government grants	**24,080**	15,594
Rental income from operating leases	**822**	1,267
Others	**198**	–
	35,055	27,210
Other net income		
Net loss on disposal of property, plant and equipment	**(3,422)**	(6,160)
Gain on disposal of a joint venture	**–**	230
	(3,422)	(5,930)
	31,633	21,280

6. NET FINANCE COSTS

	2014	2013
	RMB'000	*RMB'000*
(a) Finance income		
Interest income	**9,299**	1,001
Net foreign exchange gains	**42,742**	41,525
Finance income	**52,041**	42,526
(b) Finance costs		
Interest on bank loans	**(68,632)**	(39,865)
Less: interest expenses capitalised into construction in progress	**1,500**	–
	(67,132)	(39,865)
Other finance costs	**(24,120)**	(35,740)
Bank charges	**(7,992)**	(5,695)
Finance costs	**(99,244)**	(81,300)

7. PROFIT BEFORE TAXATION

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

(a) Staff costs#

	2014	2013
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**355,484**	355,531
Contributions to defined contribution retirement plan	**35,229**	31,098
	390,713	386,629

Pursuant to the relevant labour rules and regulations in the PRC, the Company and its subsidiary 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 subsidiary in the PRC are required to make contributions to the Scheme at 20% 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

	2014	2013
	RMB'000	*RMB'000*
Amortisation		
– lease prepayments	**328**	1,489
Depreciation#		
– property, plant and equipment held for use under operating leases	**461**	445
– other property, plant and equipment	**113,187**	109,754
(Write-back of)/provision for impairment losses		
– trade receivables	**(4,802)**	(3,617)
– investment in a joint venture	**–**	4,130
Auditors' remuneration		
– audit services	**2,180**	1,728
– review services	**140**	140
Research and development costs#	**153,713**	171,330
Cost of inventories#	**4,605,552**	3,827,316

\# Cost of inventories and research and development costs include RMB323,737,000 (2013: RMB337,526,000) relating to staff costs and depreciation expenses.

8. INCOME TAX IN THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(a) Taxation in the consolidated statements of comprehensive income represents:

	2014	2013
	RMB'000	*RMB'000*
Current tax		
Provision for the year	**66,489**	74,840
Deferred tax		
Origination and reversal of temporary differences	**4,212**	(19,598)
	70,701	55,242

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2014	2013
	RMB'000	*RMB'000*
Profit before taxation	**534,738**	470,283
Notional tax on profit before taxation at PRC corporate income tax rate	**133,685**	117,571
Tax rate differential	**(43,453)**	(36,828)
Effect of non-deductible expenses	**5,340**	4,999
Effect of non-taxable income	**(914)**	(1,069)
Effect attributable to the additional qualified tax deduction relating to research and development costs	**(18,689)**	(18,741)
Effect of share of results of associates and joint ventures	**(7,049)**	(4,653)
Effect of unrecognised tax losses	**1,781**	68
Others	**–**	(6,105)
Actual tax expense	**70,701**	55,242

The Company and its PRC subsidiary 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 recognised as an approved high-tech enterprise and is entitled to a preferential income tax rate of 15% during the year, subject to the fulfillment of the recognition criteria. During the year, an approval document was issued by the relevant authority which stated that the Company is recognised as an approved high-tech enterprise for another three years from 2015 to 2017.

No provision was made for Hong Kong profits tax as the Group did not earn any income subject to Hong Kong profits tax during the year.

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 RMB466,344,000 (2013: RMB415,041,000) and the weighted average of 488,790,598 ordinary shares (2013: 479,592,598 shares) in issue during the year calculated as follows:

Weighted average number of ordinary shares

	2014	2013
Issued ordinary shares at 1 January	**479,592,598**	479,592,598
Effect of new shares issued	**9,198,000**	–
Weighted average number of ordinary shares at 31 December	**488,790,598**	479,592,598

(b) Diluted earnings per share

The Company did not have any potential dilutive shares throughout the year. 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 year ended 31 December 2014. No operating segments have been aggregated to form the following reportable segments.

- Optical fibres and optical fibre preform: 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 and raw materials.

(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 bases:

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 year ended 31 December 2014 is set out below:

	Year ended 31 December 2014			
	Optical fibres and preform	**Optical fibre cables**	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Reportable segment revenue				
Gross revenue from external customers	**3,197,335**	**1,989,433**	**457,021**	**5,643,789**
Elimination of revenue relating to downstream transactions with joint ventures	**32,317**	**–**	**676**	**32,993**
Revenue from external customers	**3,229,652**	**1,989,433**	**457,697**	**5,676,782**
Reportable segment profit (gross profit)				
Segment profit before elimination of unrealised profits	**815,727**	**173,908**	**72,616**	**1,062,251**
Elimination of unrealised profits on downstream transactions with joint ventures	**25,307**	**–**	**–**	**25,307**
Reportable segment profit (gross profit)	**841,034**	**173,908**	**72,616**	**1,087,558**

	Year ended 31 December 2013			
	Optical fibres and preform	Optical fibre cables	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment revenue				
Gross revenue from external customers	2,772,317	1,817,625	287,449	4,877,391
Elimination of revenue relating to downstream transactions with joint ventures	(49,622)	–	(1,874)	(51,496)
Revenue from external customers	2,722,695	1,817,625	285,575	4,825,895
Reportable segment profit (gross profit)				
Segment profit before elimination of unrealised profits	781,918	212,403	61,183	1,055,504
Elimination of unrealised profits on downstream transactions with joint ventures	(37,722)	–	–	(37,722)
Reportable segment profit (gross profit)	744,196	212,403	61,183	1,017,782

(b) Reconciliations of reportable segment results to consolidated profit before taxation:

	2014	2013
	RMB'000	*RMB'000*
Segment results	**1,087,558**	1,017,782
Other revenue and net income	**31,633**	21,280
Selling expenses	**(124,271)**	(109,758)
Administrative expenses	**(441,173)**	(438,857)
Net finance costs	**(47,203)**	(38,774)
Share of results of associates and joint ventures	**28,194**	18,610
Consolidated profit before taxation	**534,738**	470,283

(c) 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.

	2014	2013
	RMB'000	*RMB'000*
Mainland China (place of domicile)	**5,278,671**	4,483,388
Others	**398,111**	342,507
	5,676,782	4,825,895

The geographical location of the Group's non-current assets is in the PRC during the current and previous years.

11. INVENTORIES

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

	31 December 2014	31 December 2013
	RMB'000	*RMB'000*
Raw materials and spare parts	**380,790**	371,025
Work in progress	**64,704**	72,261
Finished goods	**251,967**	278,017
	697,461	721,303

12. TRADE AND BILLS RECEIVABLES

	31 December 2014	31 December 2013
	RMB'000	*RMB'000*
Trade receivables		
– related parties	**212,867**	166,338
– third parties	**1,281,985**	1,224,919
Bills receivable	**264,458**	136,324
Less: allowance for doubtful debts	**(14,192)**	(18,994)
	1,745,118	1,508,587

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

(a) 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:

	31 December 2014	31 December 2013
	RMB'000	*RMB'000*
Within 3 months	**929,542**	875,279
3 to 6 months	**239,966**	254,072
6 months to 1 year	**270,018**	179,001
1 to 2 years	**234,010**	167,865
2 to 3 years	**66,523**	29,637
Over 3 years	**5,059**	2,733
	1,745,118	1,508,587

During the year ended 31 December 2014, 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 delivery 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.

(b) Impairment of trade and bills receivables

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and bills receivables directly.

The Group's movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2014	2013
	RMB'000	*RMB'000*
At 1 January	**18,994**	22,765
Impairment loss recognised	**8,759**	9,269
Amounts written back	**(13,561)**	(12,886)
Uncollectible amounts written off	**–**	(154)
At 31 December	**14,192**	18,994

At 31 December 2014, the Group's trade and bills receivables that were individually determined to be impaired amounted to RMB16,372,000 (2013: RMB7,218,000). The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB6,054,000 (2013: RMB4,240,000) were recognised.

(c) Trade and bills receivables that are not impaired

The ageing analysis of the Group's trade and bills receivables that are neither individually nor collectively considered to be impaired are as follows:

	31 December 2014	31 December 2013
	RMB'000	*RMB'000*
Neither past due nor impaired	**1,112,321**	923,897
Less than 3 months past due	**287,631**	320,525
3 to 6 months past due	**130,897**	107,592
6 months to 1 year past due	**120,383**	93,070
1 to 2 years past due	**75,935**	60,525
2 to 3 years past due	**7,633**	–
	622,479	581,712
	1,734,800	1,505,609

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

13. BANK LOANS

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

	31 December 2014	31 December 2013
	RMB'000	*RMB'000*
Within 1 year	**1,465,229**	808,188
After 1 year but within 2 years	**982,164**	25,607
After 2 years but within 5 years	**36,714**	788,329
	1,018,878	813,936
	2,484,107	1,622,124

Certain of the Group's bank loans are subject to the fulfillment of covenants relating to the Company'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 31 December 2014, none of the covenants relating to bank loans had been breached.

14. TRADE AND BILLS PAYABLES

	31 December 2014	31 December 2013
	RMB'000	*RMB'000*
Trade payables		
– related parties	**166,188**	98,894
– third parties	**515,946**	496,760
Bills payable	**17,769**	117,886
	699,903	713,540

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

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

	31 December 2014	31 December 2013
	RMB'000	*RMB'000*
Within 1 year	**687,958**	700,878
Over 1 year but within 2 years	**3,873**	4,503
Over 2 years but within 3 years	**967**	939
Over 3 years	**7,105**	7,220
	699,903	713,540

15. ACCRUED EXPENSES AND OTHER PAYABLES

	31 December 2014	31 December 2013
	RMB'000	*RMB'000*
Receipt in advance		
– related parties	**61**	14,773
– third parties	**80,920**	275,476
Interest payable	**22,197**	11,234
Payables for staff related costs	**105,740**	76,725
Payables for acquisition of property, plant and equipment and lease prepayments	**37,989**	35,104
Other tax payables	**61,632**	61,310
Payables for sales commission	**18,171**	16,901
Payables for royalty fees		
– related parties	**25,631**	24,801
– third parties	**1,068**	1,188
Dividends payable to equity shareholders of the Company	**–**	500,000
Deferred income	**7,332**	7,732
Others	**51,215**	53,248
	411,956	1,078,492

16. SHARE CAPITAL

On 10 December 2014, the Company issued a total number of 159,870,000 H shares through global offering at a price of HK$7.39 per share while the nominal value per share is RMB1.00 per H share. Accordingly, the Company's paid-up capital and capital reserves increased by RMB159,870,000 and RMB732,539,000, respectively, net off of issue expenses.

17. DIVIDENDS

(i) Dividends payable to equity shareholders of the Company attributable to the year

	31 December 2014	31 December 2013
	RMB'000	*RMB'000*
Final dividend proposed after the end of reporting period RMB0.166 per share (2013: RMB0.154 per share)	**106,151**	73,857

The final dividends proposed after the end of the reporting period have not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the year

	2014	2013
	RMB'000	*RMB'000*
Final dividend declared in respect of the previous financial year	**73,857**	162,683

Dividends to equity shareholders of the Company attributable to the previous financial year paid during the years ended 31 December 2014 were RMB73,857,000 (2013: RMB162,683,000).

(iii) Special dividends to equity shareholders of the Company

Pursuant to the resolution passed at the board of directors' meeting on 27 August 2013, an additional amount of RMB500,000,000 was declared and payable to the Company's equity owners according to their ratios of contributions to the registered capital. The special dividends that have been distributed and paid out in full to China Huaxin Post and Telecommunication Economy Development Center, Wuhan Yangtze Communications Industry Group Co., Ltd and Draka Comteq B.V. during 2014 were RMB187,500,000, RMB125,000,000 and RMB187,500,000, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

In 2014, being one of the global leading optical fibre preform, optical fibre and optical fibre cable suppliers, the Group's turnover reached approximately RMB5,676.8 million, increased by approximately 17.6% as compared to 2013 of approximately RMB4,825.9 million. The Group's gross profit attained RMB1,087.6 million, increased by approximately 6.9% as compared to 2013 of approximately RMB1,017.8 million. The Group's profit for the year attributable to the equity shareholders of the Company amounted to approximately RMB466.3 million, increased by approximately 12.4% as compared to 2013 of approximately RMB415.0 million.

Basic earnings per share was RMB0.95 per share (2013: RMB0.87 per share). On the other hand, the Company managed to generate positive cash flows from operating activities, further details of which are explained under the heading of cash flow analysis below.

2014 was a year of great significance for the Company. The H shares of the Company were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited on 10 December 2014 (the "**Listing Date**"), marking a milestone for the Group in improving its capital strength and corporate governance as well as enhancing its competitive edge, which laid a solid foundation for the Group's future development.

Turnover

The Group's turnover for the year ended 31 December 2014 was approximately RMB5,676.8 million, representing an increase of 17.6% as compared to 2013 of approximately RMB4,825.9 million.

By product segment, a total turnover of approximately RMB3,229.7 million was contributed from our optical fibre preform and optical fibre segment, representing a growth of 18.6% as compared to 2013 of approximately RMB2,722.7 million and accounting for 56.9% of the Group's turnover; while a total turnover of RMB1,989.4 million was contributed from our optical fibre cable segment, representing a growth of 9.5% as compared to 2013 of approximately RMB1,817.6 million and accounting for 35.0% of the Group's turnover. The remarkable growth in the Group's turnover was mainly due to the ramp up of 4G infrastructure construction by the Three State-owned Telecommunications Operators and the ongoing "Broadband China" initiatives announced by the Chinese government, which provide positive catalysts and bring in additional momentum, in particular, the demand for optical fibres and optical fibre cables and in turn, the demand for optical fibre preforms.

A total turnover of approximately RMB457.7 million was contributed from others, representing a growth of 60.3% as compared to 2013 of approximately RMB285.6 million and accounting for 8.1% of the Group's turnover because of the recognition of sales of optical fibre drawing equipment to some independent third parties and the contribution from EverPro Technologies Company Limited ("**EverPro**"), a subsidiary of the Company, which commenced commercial operation in late 2014.

By geographical segment, a total turnover of approximately RMB5,278.7 million was from customers in China, representing an increase of 17.7% as compared to 2013 of approximately RMB4,483.4 million and accounting for 93.0% of the Group's turnover, while a total turnover of approximately RMB398.1 million from customers in overseas, representing an increase of 16.2% as compared to 2013 of approximately RMB342.5 million and accounting for approximately 7.0% of the Group's turnover.

During 2014, the Group had achieved a strong business development in both local and overseas telecommunications operator market, which is the key stimulator for our remarkable growth in the Group's turnover.

Cost of sales

The Group's cost of sales for the year ended 31 December 2014 was approximately RMB4,589.2 million, representing an increase of 20.5% as compared to 2013 of approximately RMB3,808.1 million and accounting for 80.8% of the Group's turnover. The increase in cost of sales was in line with our increase in turnover.

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.

In 2014, the Group's total raw material costs was approximately RMB4,146.6 million, representing an increase of 23.7% as compared to approximately RMB3,352.2 million in 2013. Among raw material costs, a total amount of approximately RMB753.4 million was attributable to the purchases of silica jacket cylinders and glass substrate tubes from a Germany based supplier, and a total amount of approximately RMB549.7 million was attributable to the imported preforms from a Japan based supplier, representing 16.4% and 12.0% of the Group's total costs of sales, respectively.

For the year ended 31 December 2014, the Group's manufacturing overheads and direct labour costs amounted to approximately RMB442.6 million, representing a decrease of 2.9% as compared to RMB455.9 million in 2013.

Gross profit and gross profit margin

For the year ended 31 December 2014, the Group reported a gross profit of RMB1,087.6 million, representing an increase of 6.9% as compared to RMB1,017.8 million in 2013, and the gross profit margin decreased from 21.1% in 2013 to 19.2% in 2014. The decrease in gross profit margin in 2014 was mainly due to more optical fibre cable sales were conducted in 2014, which generally have a lower profit margin than that of optical fibre preforms and fibres, of which approximately 63.9% of optical fibre cable sales were not self-produced by ourselves but purchased from our joint ventures. The total kilometer of optical fibre cables sold by us during 2014 was approximately 19.0 million fkm while only approximately 16.0 million fkm was sold in 2013. Besides, the overall decrease in average selling price of optical fibres and cables also caused the drop in gross profit margin.

Other revenue and net income

Other revenue and net income was RMB31.6 million in 2014, representing an increase of 48.7% from RMB21.3 million in 2013. The increase was mainly because of more government grants were recognised during the year.

Selling expenses

The Group's selling expenses for the year ended 31 December 2014 were RMB124.3 million, representing an increase of 13.2% as compared to RMB109.8 million in 2013. The increase was mainly due to the set up of eight sales representative offices in overseas and the increase in marketing expenses to promote the Group's businesses.

Administrative expenses

The Group's administrative expenses for the year ended 31 December 2014 were RMB441.2 million, representing an increase of 0.5% as compared to RMB438.9 million in 2013. The increase was mainly due to the listing expenses incurred for the initial public offering, which was completed on 10 December 2014.

Net finance costs

The Group's net finance costs for the year ended 31 December 2014 increased by RMB8.4 million, which was mainly due to the increase in bank loans to finance the construction of Phase I YOFC Science & Technology Park in Wuhan and the increase in effective interest rate.

The effective interest rates of our bank loans in 2014 ranged from 1.54% to 4.43% per annum (2013: 1.64% to 3.29% per annum).

Income tax

The Group's income tax for the year ended 31 December 2014 increased by RMB15.5 million, which was mainly due to the recognition of deferred tax assets in 2013 while it was a reversal of deferred tax assets in 2014. As a result, the effective tax rate increased from 11.7% in 2013 to 13.2% in 2014. During the year, the Company was recognised as an approved high-tech enterprise and was entitled to a preferential tax rate of 15%. An approval document dated 14 October 2014 was issued by the relevant authority which stated that the Company is recognised as an approved high-tech enterprise for another three years from 2015 to 2017.

Production capacity

During 2014, there was no material change in the production capacity. However, new production capacity for optical fibre cables will be put into use during the first half of 2015.

Capital expenditures

During the year, the Group incurred a total capital expenditure of approximately RMB390.1 million for the purchases of property, plant and equipment, intangible assets and lease prepayments, which were primarily related to the construction of Phase I YOFC Science & Technology Park in Wuhan for the expansion of the optical fibre cable production capacity as well as the enhancement and improvement in production efficiency of the existing production capacity on optical fibre preforms and optical fibres. Regarding the intangible assets acquired during the year, it was related to the acquisition of certain patents from one of the non-controlling equity owners with respect to the active optical cable ("**AOC**") business.

Use of proceeds from the global offering

The net proceeds from the listing of the Company's H shares on the The Stock Exchange of Hong Kong Limited on 10 December 2014 (after deducting underwriting fees and listing-related expenses) amounted to approximately RMB892.4 million (equivalent to approximately HK$1,130.6 million). As at the date of this announcement, a total amount of approximately RMB178.5 million from the net proceeds from the listing had been utilised for repayment of bank loans. The unutilised net proceeds had been deposited into short-term demand deposits in a bank account maintained by the Group. In 2015, the Company will utilise the net proceeds from the initial public offering for the purpose consistent with those set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 26 November 2014.

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 31 December 2014 was 16.3% (2013: 47.4%).

Cash flow analysis

The following table sets forth the selected cash flow data derived from the consolidated cash flow statement for the year ended 31 December 2014.

	2014	2013
	RMB'000	*RMB'000*
Net cash generated from operating activities	**200,177**	431,146
Net cash used in investing activities	**(316,705)**	(191,146)
Net cash generated from financing activities	**1,222,305**	369,196
Net increase in cash and cash equivalents	**1,105,777**	609,196

The Group's net cash generated from operating activities decreased by approximately RMB231.0 million, which was mainly due to the increase in trade and other receivables as a result of the increase in the Group's turnover during the year.

The Group's net cash used in investing activities increased by approximately RMB125.6 million, which was mainly due to the construction of Phase I YOFC Science & Technology Park in Wuhan and the acquisition of certain patents by EverPro.

The Group's net cash generated from financing activities increased by approximately RMB853.1 million, which was mainly due to the net proceeds received from the global offering completed on 10 December 2014.

Net current assets

As at 31 December 2014, the Group's net current assets was RMB2,027.6 million, representing an increase of RMB1,333.5 million from RMB694.1 million as at 31 December 2013. The increase in net current assets was mainly due to the combined effect of (i) the net proceeds received from the global offering; and (ii) the increase in trade and bills receivable being caused by the increase in turnover arising from the increasing demand for optical fibres and optical fibre cables as a result of the issuance of 4G licenses and the "Broadband China" strategy.

Bank loans

As at 31 December 2014, the Group's bank loans were RMB2,484.1 million, representing an increase of RMB862.0 million from approximately RMB1,622.1 million as at 31 December 2013. Most of the Group's bank loans were floating rate loans and were either denominated in US Dollars or Euro, of which US Dollar loans accounted for 87.7% of the Group's bank loans as at 31 December 2014.

Commitments and contingencies

As at 31 December 2014, the Group's outstanding capital commitments in relation to property, plant and equipment amounted to approximately RMB360.4 million (2013: approximately RMB287.2 million), lease prepayment amounted to approximately RMB52.2 million (2013: approximately RMB83.8 million), investment in equity securities amounted to approximately RMB45.1 million (2013: approximately RMB18.0 million) and intangible asset amounted to Nil (2013: RMB75 million). Out of total outstanding commitments as at 31 December 2014 of approximately RMB457.7 million (2013: approximately RMB464.0 million), a total amount of approximately RMB85.9 million (2013: approximately RMB133.1 million) had been contracted for and the remaining balance of approximately RMB371.8 million (2013: approximately RMB330.9 million) had been authorised by the Board but not yet contracted for.

As at 31 December 2014, the Group did not have any material contingent liability.

CHARGE ON ASSETS

As at 31 December 2014, the Group did not pledge any of its assets to secure any banking facility or bank loan.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Most of the revenues and expenses are settled in Renminbi 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 Renminbi, US Dollars and HK Dollars.

As at 31 December 2014, the Group did not enter into any foreign exchange contracts, interest or currency swaps or other financial derivatives. Although there was fluctuation in exchange rate between Renminbi, US Dollars and Euro, the fluctuation effect cancelled out each other. The Group did not suffer any material fluctuation in exchange differences.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2014, the Group had approximately 1,805 full-time employees (2013: 1,769 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 promotions. 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 China.

OFF-BALANCE SHEET ARRANGEMENTS

As at 31 December 2014, the Company entered into non-recourse trade receivables factoring arrangements with commercial banks in China with a carrying amount of approximately RMB332.8 million (2013: RMB425.5 million). In addition, as at 31 December 2014, the Company discounted and endorsed certain bank bills receivable with a carrying amount of approximately RMB422.7 million (2013: RMB372.1 million) to certain commercial banks in China and its suppliers.

FORMATION OF JOINT VENTURES IN MYANMAR AND INDONESIA

In December 2014, the Company and Yadanarbon Fibre Co., Ltd ("**YFCL**"), a limited liability company incorporated in the Republic of the Union of Myanmar, entered into a joint venture agreement to establish an optical fibre cable joint venture in Myanmar (the "**Myanmar JV**") to promote and develop optical fibre cables. The Myanmar JV is held as to 50% by the Company and as to 50% by YFCL. The paid-up capital of the Myanmar JV is USD4 million and each party will make their respective contribution in cash in accordance with their respective shareholdings in the Myanmar JV. The financial results of the Myanmar JV will be consolidated in the Group's financial statements as a joint venture after its establishment.

In January 2015, the Company and PT MonasPermata Persada ("**PT Monas**"), a limited liability company incorporated in the Republic of Indonesia, entered into a joint venture agreement to establish a joint venture (the "**Indonesia JV**") in Indonesia to promote and develop optical fibre manufacturing, sales and its related business. The Indonesia JV is held as to 70% by the Company and 30% by PT Monas and the paid-up capital of the Indonesia JV is USD10 million and each party will make their respective contribution in cash in accordance with their respective shareholdings in the Indonesia JV. The financial results of the Indonesia JV will be consolidated in the Group's financial statements as a subsidiary after its establishment.

The formation of the Myanmar JV and the Indonesia JV do not constitute notifiable transactions or connected transactions of the Company under Chapter 14 and Chapter 14A of the Listing Rules.

OUTLOOK

In 2015, the Company will put every effort on the implementation of our medium and long term strategic plans so as to strengthen its leading market position. Our international expansion strategy will further enlarge our export sales and overseas involvement. Our strategy on the on-going development of multi-production technologies can further enhance our optical fibre preforms' competitiveness in the market. Our continuing diversification can enrich our product mix and improve our profitability. In summary, all these strategies enable us to have a continuous success in our businesses.

With the launch of the "Broadband China" national strategy by the PRC Government, the roll-out of 4G LTE licenses and fibre to the home ("**FTTH**") by the Three State-owned Telecommunications Operators, and the convergence of tri-network, it is expected that the Three State-owned Telecommunications Operators will continuously increase their spending on the construction of the 4G and FTTH integrated broadband networks. Besides, the regulation requiring all new residential buildings in cities and counties erected after 1 April 2013 to be equipped with optical fibre access also stimulates the growth in market demand for optical fibres and optical fibre cables. As a result, we expect that the optical fibre and optical fibre cable market in China in 2015 will remain promising.

Taking advantage of the promising optical fibre and optical fibre cable market, the demand for optical fibre preforms is also expected to continuously increase. Together with the preliminary arbitration result on anti-dumping investigation against certain foreign suppliers on imported preforms is to be announced in mid April 2015, this may provide opportunities for those domestic preform manufacturers, including us, to further develop their own locally made preform business. In 2015, the Company will speed up its own development on alternative production technologies of optical fibre preforms and this enables the Group to further strengthen its competitive advantage in this business.

In 2015, the Company will try its best endeavour to complete the construction of the Myanmar JV and the Indonesia JV as scheduled. At the same time, the Company will set up more overseas offices so as to further strengthen its international sales network in order to achieve a double digit growth rate in the overseas business.

After nearly a year of development of our AOC business, EverPro has broadened its product categories. Other than AOC, EverPro has developed some new AOC related products and solutions to serve customers' needs during 2014, such as integrated circuits for internet data centre, HDMI AOC, USB3.0 AOC, and the provision of "zero client" solution for universities (zero client solution is a network-based solution and contains plain interfaces and a variety of peripheral devices with the support of a powerful computing data center which solution enables users to save hardware and software consumption, as well as to improve client simplicity and energy saving), which are expected to be launched into market in 2015. It is expected that the Group will spend much more effort to promote all these products in order to stimulate its sales and profitability in this segment.

At the same time, the Group will put more focus on its specialty fibre and cable, integrated system and cabling system network businesses. Participating in network construction projects, the provision of technological services on cabling network, and the entry into other business segment with potential for growth would be the next step. All of these can enable the Group to have a healthy growth and create higher value for its shareholders.

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

Save for the Company's initial public offering as described in the Company's prospectus dated 26 November 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2014.

AUDIT COMMITTEE

The Company established the audit committee with written terms of reference in compliance with the Corporate Governance Code contained in Appendix 14 to the Listing Rules. As at the date of this announcement, the audit committee of the Company comprises three members, namely Mr. Ngai Wai Fung, Mr. Ip Sik On Simon and Mr. Li Zhuo, the independent non-executive directors of the Company. Mr. Ngai Wai Fung is the chairman of the audit committee.

The audit committee has reviewed and discussed the annual results of the Group for the year ended 31 December 2014. The audit committee has also reviewed with the management and the Company's auditors, KPMG, the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the audit of the consolidated financial statements for the year ended 31 December 2014.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

As a company incorporated in the PRC and listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Company has to comply with the relevant provisions of the 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 basic guidelines for the Company's corporate governance.

As the H shares of the Company were listed on the Main Board of the Stock Exchange on 10 December 2014, the Corporate Governance Code as set out in Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules (the "**CG Code**") was not applicable to the Company before the Listing Date. The Company has adopted all the code provisions in the CG Code which are applicable to the Company and the manner in which the principles and code provisions in the CG Code were applied and implemented since the Listing Date to 31 December 2014 and up to the date of this results announcement will further be explained in the Corporate Governance Report to be contained in the 2014 annual report.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules to regulate the securities transactions of the directors and supervisors of the Company. Having made specific enquiries in writing to the directors and supervisors of the Company, all directors and supervisors of the Company have confirmed that they have complied with the provisions of the Model Code throughout the period commencing from the Listing Date to 31 December 2014.

PROPOSED FINAL DIVIDEND

The Board proposed the distribution of a final dividend for the year ended 31 December 2014 of RMB0.166 (before considering any tax effect) per share totaling RMB106,151,000 (the "**2014 Final Dividend**"), which will be subject to approval at the forthcoming 2014 annual general meeting. Dividend payable to holders of Domestic Shares will be paid in Renminbi, whereas dividend payable to holders of the H Shares will be declared in Renminbi and paid in Hong Kong dollars (other than dividends in respect of the H Shares held by Draka Comteq B.V. which will be paid in Euro), the exchange rate of which will be calculated based on the average exchange rate published by The People's Bank of China during the week prior to the forthcoming 2014 annual general meeting. Further announcement containing the information in relation to the book closure period for receiving the 2014 Final Dividend and the expected payment date of the 2014 Final Dividend will be published by the Company in due course.

In accordance with the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and its implementation rules effective on 1 January 2008, where a PRC domestic enterprise distributes dividends for financial periods beginning from 1 January 2008 to non-resident enterprise shareholders, it is required to withhold 10% enterprise income tax for such non-resident enterprise shareholders. Therefore, as a PRC domestic enterprise, the Company will, after withholding 10% of the final dividend as enterprise income tax, distribute the final dividend to non-resident enterprise shareholders, i.e. any shareholders who hold the Company's shares in the name of non-individual shareholders, including but not limited to HKSCC Nominees Limited, other nominees, trustees, or holders of H Shares registered in the name of other organizations and groups.

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》), the Implementation Regulations of the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法實施條例》), the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Nonresidents under Tax Treaties (Tentative) (Guo Shui Fa [2009] No. 124) (《國家稅務總局關於印發〈非居民享受稅收協定待遇管理辦法(試行)〉的通知》(國稅發[2009]124號)), the Notice 348, other relevant laws and regulations and other regulatory documents, the Company shall, as a withholding agent, withhold and pay individual income tax for the individual holders of H shares in respect of the dividend to be distributed to them. However, the individual holders of H shares may be entitled to certain tax preferential treatments pursuant to the tax treaties between the PRC and the countries (regions) in which the individual holders of H shares are domiciled and the tax arrangements between Mainland China, Hong Kong or Macau. For individual holders of H shares in general, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the individual holders of H shares in the distribution of the dividend. However, the tax rates applicable to individual holders of H Shares overseas may vary depending on the tax treaties between the PRC and the countries (regions) in which the individual holders of H shares are domiciled, and the Company will withhold and pay individual income tax on behalf of the individual holders of H shares in the distribution of the dividend accordingly.

Shareholders are recommended to consult their tax advisors regarding the PRC, Hong Kong and other tax implications arising from or in connection with their holding and disposal of the H Shares of the Company.

ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2014 will be dispatched to shareholders and made available on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Company (www.yofc.com) in due course.

FORWARD-LOOKING STATEMENTS

The Company would also like to caution readers about the forward-looking nature of certain of the above statements. These forward-looking statements are subject to risks and uncertainties and assumptions, some of which are beyond our control. Potential risks and uncertainties include those concerning the continued growth of the telecommunications industry in China, the development of the regulatory environment and our ability to successfully execute our business strategies. In addition, these forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. We do not intend to update these forward-looking statements. Actual results may differ materially from the information contained in the forward-looking statements as a result of a number of factors.

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
Wen Huiguo
Chairman

Wuhan, Hubei, the People's Republic of China, 27 March 2015

As at the date of this announcement, the Board of the Company comprises Wen Huiguo and Frank Franciscus Dorjee, as executive directors; Ma Jie, Sun Jiming, Philippe Claude Vanhille, Yeung Kwok Ki Anthony, 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*