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Yangtze Optical Fibre and Cable Joint Stock Limited Company*

長飛光纖光纜股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock code: 6869)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2015, the Group's operating results were as follows:

- Total revenue was approximately RMB3,049.6 million, increased by approximately RMB414.7 million, representing a 15.7% increase compared to the same period of last year.
- Gross profit was approximately RMB588.0 million, increased by approximately RMB62.8 million, representing a 12.0% increase compared to the same period of last year.
- Profit for the period attributable to equity shareholders of the Company was approximately RMB304.7 million, increased by approximately RMB94.1 million, representing a 44.7% increase compared to the same period of last year.
- The Group's revenue from domestic customers increased by approximately 14.7%, as compared with the corresponding period of the prior year. The Group's overseas revenue from overseas customers increased by approximately 31.2%, as compared with the corresponding period of the prior year.
- No interim dividend was declared.

* *For identification purposes only*

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**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2015 (the "**Period**"), together with the relevant comparative figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2015

(Expressed in Renminbi)

	Notes	**For the six months ended 30 June** **2015** *RMB'000* **(Unaudited)**	2014 *RMB'000* (Audited)
Revenue	*4*	**3,049,579**	2,634,868
Cost of sales		**(2,461,546)**	(2,109,691)
Gross profit		**588,033**	525,177
Other income	*5*	**16,263**	20,348
Selling expenses		**(63,318)**	(50,160)
Administrative expenses		**(231,641)**	(209,667)
Profit from operations		**309,337**	285,698
Finance income	*6*	**40,536**	1,357
Finance costs	*6*	**(36,028)**	(50,838)
Net finance costs		**4,508**	(49,481)
Share of results of associates		**282**	(332)
Share of results of joint ventures		**33,012**	8,867
Profit before taxation	*7*	**347,139**	244,752
Income tax	*8*	**(46,781)**	(35,531)
Profit for the period		**300,358**	209,221

	Notes	For the six months ended 30 June	
		2015	2014
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Other comprehensive income (item that may be reclassified subsequently to profit or loss):			
Available-for-sale securities		**46,859**	10,677
Income tax relating to available-for-sale securities		**(7,029)**	(1,602)
Other comprehensive income for the period		**39,830**	9,075
Total comprehensive income for the period		**340,188**	218,296
Profit for the period attributable to:			
Equity shareholders of the Company		**304,736**	210,599
Non-controlling interests		**(4,378)**	(1,378)
Profit for the period		**300,358**	209,221
Total comprehensive income for the period attributable to:			
Equity shareholders of the Company		**344,566**	219,674
Non-controlling interests		**(4,378)**	(1,378)
Total comprehensive income for the period		**340,188**	218,296
Earnings per share (RMB)			
Basic and diluted	*9*	**0.48**	0.44

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

(Expressed in Renminbi)

	Notes	**30 June 2015 *RMB'000* (Unaudited)**	31 December 2014 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment		**747,587**	782,530
Construction in progress		**148,707**	93,888
Intangible assets		**151,019**	151,019
Lease prepayments		**116,572**	117,788
Interest in associates		**28,994**	28,712
Interest in joint ventures		**684,501**	655,003
Other non-current assets		**396,484**	124,310
Deferred tax assets		**14,833**	25,964
Total non-current assets		**2,288,697**	1,979,214
Current assets			
Inventories	*11*	**603,495**	697,461
Trade and bills receivables	*12*	**2,465,668**	1,745,118
Deposits, prepayments and other receivables		**148,937**	152,530
Other financial assets		**26,400**	5,840
Cash and cash equivalents		**1,366,404**	2,010,953
Total current assets		**4,610,904**	4,611,902
Current liabilities			
Bank loans	*13*	**1,568,695**	1,465,229
Trade and bills payables	*14*	**600,734**	699,903
Accrued expenses and other payables		**491,796**	411,956
Income tax payable		**28,752**	7,179
Total current liabilities		**2,689,977**	2,584,267
Net current assets		**1,920,927**	2,027,635

	Notes	**30 June 2015** *RMB'000* **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
Total assets less current liabilities		**4,209,624**	4,006,849
Non-current liabilities			
Bank loans	*13*	**986,908**	1,018,878
Deferred income		**77,189**	76,480
Total non-current liabilities		**1,064,097**	1,095,358
Net assets		**3,145,527**	2,911,491
Capital and reserves			
Share capital	*15*	**639,463**	639,463
Reserves		**2,412,749**	2,174,335
Total equity attributable to equity shareholders of the Company		**3,052,212**	2,813,798
Non-controlling interests		**93,315**	97,693
Total equity		**3,145,527**	2,911,491

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 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 (the "**Hong Kong Stock Exchange**") 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. 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" adopting by the International Accounting Standard Board. It was authorised for issue on 28 August 2015.

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 2014.

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 2014, 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 2015. 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.

* *For identification purposes only*

5. OTHER INCOME

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Other revenue		
Dividend income from unlisted equity securities	**156**	3,655
Royalty fees	**2,950**	3,150
Government grants	**13,177**	13,062
Rental income from operating leases	**422**	422
Others	**412**	118
	17,117	20,407
Other net income		
Net loss on disposal of property, plant and equipment	**(854)**	(59)
	16,263	20,348

6. NET FINANCE COSTS

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
(a) Finance income		
Interest income	**15,191**	1,357
Net foreign exchange gains	**25,345**	–
Finance income	**40,536**	1,357
(b) Finance costs		
Interest on bank loans	**(33,383)**	(29,019)
Less: interest expenses capitalised into construction in progress	**1,276**	–
	(32,107)	(29,019)
Other finance costs	**(1,526)**	(4,583)
Net foreign exchange losses	**–**	(14,283)
Bank charges	**(2,395)**	(2,953)
Finance costs	**(36,028)**	(50,838)

7. PROFIT BEFORE TAXATION

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

(a) Staff costs# (excluding directors' remuneration)

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Salaries, wages and other benefits	**168,214**	168,066
Contributions to defined contribution retirement plan	**18,643**	16,832
	186,857	184,898

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 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

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Amortisation		
– lease prepayments	**1,217**	165
Depreciation#		
– property, plant and equipment held for use under operating leases	**171**	177
– other property, plant and equipment	**55,676**	57,003
Impairment losses against trade receivables	**502**	5,421
Directors' fees	**2,468**	–
Directors' remuneration	**906**	888
Research and development costs#	**83,245**	69,682
Cost of inventories#	**2,469,975**	2,115,828

Cost of inventories and research and development costs include RMB159,635,000 (six months ended 30 June 2014: RMB160,735,000) relating to staff costs and depreciation expenses, of which the amounts are also included in the respective total amounts above or in Note 7(a) for each of these types of expenses.

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	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current tax		
Provision for the period	**42,679**	34,152
Deferred tax		
Origination and reversal of temporary differences	**4,102**	1,379
	46,781	35,531

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.

Hong Kong profits tax was provided for at the statutory rate of 16.5% during the Period.

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 RMB304,736,000 (six months ended 30 June 2014: RMB210,599,000) and the weighted average of 639,462,598 ordinary shares (six months ended 30 June 2014: 479,592,598 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 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 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.

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 2015 (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	**1,871,222**	**1,047,541**	**141,524**	**3,060,287**
Elimination of revenue relating to downstream transactions with joint ventures	**(11,175)**	**–**	**467**	**(10,708)**
Revenue from external customers	**1,860,047**	**1,047,541**	**141,991**	**3,049,579**
Reportable segment profit (gross profit)				
Segment profit before elimination of unrealised profits	**509,167**	**74,496**	**5,549**	**589,212**
Elimination of unrealised profits on downstream transactions with joint ventures	**(1,179)**	**–**	**–**	**(1,179)**
Reportable segment profit (gross profit)	**507,988**	**74,496**	**5,549**	**588,033**

	For the six months ended 30 June 2014 (Audited)			
	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	1,386,550	978,248	252,852	2,617,650
Elimination of revenue relating to downstream transactions with joint ventures	16,377	–	841	17,218
Revenue from external customers	1,402,927	978,248	253,693	2,634,868
Reportable segment profit (gross profit)				
Segment profit before elimination of unrealised profits	372,909	100,270	39,244	512,423
Elimination of unrealised profits on downstream transactions with joint ventures	12,754	–	–	12,754
Reportable segment profit (gross profit)	385,663	100,270	39,244	525,177

(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	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Mainland China (place of domicile)	**2,835,767**	2,471,985
Others	**213,812**	162,883
	3,049,579	2,634,868

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

11. INVENTORIES

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

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Raw materials and spare parts	**350,620**	380,790
Work in progress	**71,171**	64,704
Finished goods	**181,704**	251,967
	603,495	697,461

12. TRADE AND BILLS RECEIVABLES

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables		
– related parties	**208,067**	212,867
– third parties	**2,054,670**	1,281,985
Bills receivable	**217,625**	264,458
Less: allowance for doubtful debts	**(14,694)**	(14,192)
	2,465,668	1,745,118

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 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**1,787,359**	929,542
3 to 6 months	**274,340**	239,966
6 months to 1 year	**237,504**	270,018
1 to 2 years	**143,063**	234,010
2 to 3 years	**22,747**	66,523
Over 3 years	**655**	5,059
	2,465,668	1,745,118

During the Period, the Group's customers included certain joint ventures, three state-owned telecommunications network operators (the "**Three State-owned Telecommunication 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.

13. BANK LOANS

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

	30 June 2015 *RMB'000* **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
Within 1 year	**1,568,695**	1,465,229
After 1 year but within 2 years	**780,268**	982,164
After 2 years but within 5 years	**206,640**	36,714
	986,908	1,018,878
	2,555,603	2,484,107

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 2015, none of the covenants relating to bank loans had been breached.

14. TRADE AND BILLS PAYABLES

	30 June 2015 *RMB'000* **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
Trade payables		
– related parties	**123,486**	166,188
– third parties	**467,327**	515,946
Bills payable	**9,921**	17,769
	600,734	699,903

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 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	**596,258**	687,958
Over 1 year but within 2 years	**1,846**	3,873
Over 2 years but within 3 years	**120**	967
Over 3 years	**2,510**	7,105
	600,734	699,903

15. 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 share capital and capital reserves increased by RMB159,870,000 and RMB732,539,000, respectively, net off issue expenses. There was no movement in share capital during the Period.

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	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Final dividend in respect of the previous financial year and approved during the Period RMB0.166 per share (six months ended 30 June 2014: RMB0.154 per share)	**106,151**	73,857

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 2014: RMB18,464,000).

The Board did not propose the distribution of any interim dividend for the current and prior periods.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

During the first half of 2015, being one of the global leading optical fibre preform, optical fibre and optical fibre cable suppliers, the Group's revenue reached approximately RMB3,049.6 million for the Period, increased by approximately 15.7% as compared to the same period of 2014 of approximately RMB2,634.9 million. The Group's gross profit reached approximately RMB588.0 million, increased by approximately 12.0% as compared to the same period of 2014 of approximately RMB525.2 million. The Group's profit for the Period attributable to the equity shareholders of the Company amounted to approximately RMB304.7 million, increased by approximately 44.7% as compared to the same period of 2014 of approximately RMB210.6 million.

Basic earnings per share was RMB0.48 per share (six months ended 30 June 2014: RMB0.44 per share).

Revenue

The Group's revenue for the Period was approximately RMB3,049.6 million, representing an increase of 15.7% as compared to the same period of 2014 of approximately RMB2,634.9 million.

By product segment, revenue of approximately RMB1,860.0 million was contributed from the Group's optical fibre preform and optical fibre segment, representing a growth of 32.6% as compared to the same period of 2014 of approximately RMB1,402.9 million and accounting for 61.0% of the Group's total revenue; while revenue of RMB1,047.5 million was contributed from the optical fibre cable segment, representing a growth of 7.1% as compared to the same period of 2014 of approximately RMB978.2 million and accounting for 34.4% 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 "Broadband China" initiatives 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 and in turn, the demand for optical fibre preforms.

Revenue of approximately RMB142.0 million was contributed from others, representing a decrease of 44.0% as compared to the same period of 2014 of approximately RMB253.7 million and accounting for 4.6% of the Group's total revenue because of the decrease in sale of equipment.

By geographical segment, revenue of approximately RMB2,835.8 million was from customers in the PRC, representing an increase of 14.7% as compared to the same period of 2014 of approximately RMB2,472.0 million and accounting for 93.0% of the Group's total revenue, while revenue of approximately RMB213.8 million was from customers in overseas, representing an increase of 31.2% as compared to the same period of 2014 of approximately RMB162.9 million and accounting for approximately 7.0% of the Group's total revenue. The Company has commenced its businesses in countries such as Argentina, Belize, Cambodia, Chile, Colombia, Kuwait and Peru, which are newly entered into by the Group.

During the Period, the Group had achieved a strong business development in both local and overseas telecommunications operator market, especially, the continuous growth in demand from the Three State-owned Telecommunications Operators in the PRC starting from the last quarter of 2014 and the recent shortage of supply of optical fibres happening in the PRC market, which enable the Group to have a substantial growth in the Group's revenue.

Cost of sales

The Group's cost of sales for the Period was approximately RMB2,461.5 million, representing an increase of 16.7% as compared to the same period of 2014 of approximately RMB2,109.7 million and accounting for 80.7% of the Group's revenue. The increase in cost of sales was in line with the increase in 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 RMB2,247.7 million, representing an increase of 18.8% as compared to approximately RMB1,892.0 million during the first half of 2014. Among raw material costs, a total amount of approximately RMB295.0 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 RMB201.5 million was attributable to the imported preforms from a Japanese supplier, representing 12.0% and 8.2% of the Group's total costs of sales, respectively.

For the Period, the Group's manufacturing overheads and direct labour costs amounted to approximately RMB213.8 million, representing a decrease of 1.8% as compared to RMB217.7 million during the first half of 2014.

Gross profit and gross profit margin

For the Period, the Group reported a gross profit of RMB588.0 million, representing an increase of 12.0% as compared to RMB525.2 million during the first half of 2014, however, the gross profit margin slightly decreased from 19.9% in 2014 to 19.3% in 2015. The decrease in gross profit margin during the Period was mainly due to the full utilisation of the Group's existing production capacities on optical fibre preforms, optical fibres and optical fibre cables and the Group has to purchase more from outside for resale to cope with the unexpected increase in demand for both optical fibres and optical fibre cables both domestically and globally. During the Period, more optical fibre cable sales were conducted when compared with the same period of the prior year, which generally have a lower profit margin than that of optical fibre preforms and fibres. Approximately 65.9% of optical fibre cable sales were not self-produced by the Group but purchased from the joint ventures of the Company and independent third parties.

Selling expenses

The Group's selling expenses for the Period were approximately RMB63.3 million, representing an increase of 26.1% as compared to RMB50.2 million during the first half of 2014. The increase was mainly due to (i) more optical fibres and optical fibre cables were sold during the Period which resulted in much more transportation costs both domestically and globally, (ii) the set up of eight sales representative offices in overseas and (iii) the increase in marketing expenses to promote our businesses.

Administrative expenses

The Group's administrative expenses for the Period were approximately RMB231.6 million, representing an increase of 10.4% as compared to RMB209.7 million during the first half of 2014. The increase was mainly due to more professional fees which were incurred for those corporate and investment projects during the Period.

Net finance costs

The Group's net finance costs for the Period decreased by RMB54.0 million, which was mainly due to the change in the borrowings' denominated currency. During the Period, the Group has restructured its debts by borrowing more Euro loans in order to benefit from the relatively low costs of Euro borrowings and the depreciation of Euro against Renminbi. In the corresponding prior period, close to 90% of the borrowings are in the form of US Dollar. The depreciation of Renminbi against US Dollar during the corresponding prior period resulted in an exchange loss. As at 30 June 2015, approximately 60% of the borrowings are denominated in US Dollar while the rest is in Euro.

The effective interest rates of the Group's bank loans during the Period ranged from 0.91% to 4.50% per annum (the first half of 2014: 1.54% to 5.04% 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 rose from approximately RMB8.5 million in 2014 to approximately RMB33.3 million in 2015, because two optical fibre joint ventures reported improvement in their operating results during the first half of 2015 owing to the significant growth in demand for optical fibres in the PRC market.

Income tax

The Group's income tax for the Period increased by approximately RMB11.3 million, which was mainly due to the increase in taxable profits during the Period. During the Period, the effective tax rate decreased from 14.5% in 2014 to 13.5% in 2015. During the Period, the Company was entitled to a preferential tax rate of 15% pursuant to an approval document dated 14 October 2014, which stated that the Company is qualified as an approved high-tech enterprise for another three years from 2015 to 2017.

Other comprehensive income

The Group's other comprehensive income was generated from listed available-for-sale equity securities being held by the Company, of which they were listed outside Hong Kong. The significant appreciation in its fair value by approximately RMB46.9 million was mainly due to the booming of A-share stock market during the Period.

Production capacities

During the Period, the Company has started its trial run production on the additional 8 million fkm optical fibre cable capacity in Phase I project of YOFC Science & Technology Park in Wuhan and the entire new production capacity for optical fibre cables will be put into use during the second half of 2015.

During the Period, the Company has decided to enhance its optical fibre cable capacities by building up two more of its own optical fibre cable plants in Shenyang and Lanzhou with an aggregate annual production capacities of 4 million fkm.

At the same time, the Company has also decided to expand its own optical fibre preform capacity in Qianjiang, Hubei Province, the PRC by using alternative optical fibre preform production technologies with an initial annual production capacity of approximately 500 tons. Such expansion will be completed by phases dependent on the market needs and conditions for further expansion.

Capital expenditures

During the Period, the Group incurred a total capital expenditure of approximately RMB75.9 million for the purchases of property, plant and equipment, intangible assets and lease prepayments, which were primarily related to the construction of Phase I project of YOFC Science & Technology Park in Wuhan for the expansion of our optical fibre cable production capacity as well as for the enhancement and improvement in production efficiency of our existing production capacity on optical fibre preforms and optical fibres and the development of alternative production technique on optical fibre preforms.

Use of proceeds from the global offering

The net proceeds from the listing of the Company's H shares on the Hong Kong Stock Exchange 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 RMB662.4 million from the net proceeds from the listing had been utilised for (i) global purchases of raw materials of approximately RMB178.5 million; (ii) the construction of Phase I project of YOFC Science & Technology Park in Wuhan of approximately RMB186.8 million; (iii) the establishment of overseas production base of approximately RMB29.4 million; (iv) repayment of bank loans of approximately RMB178.5 million; and (v) replenishment of working capital to improve the Group's gearing level of approximately RMB89.2 million. The unutilised net proceeds of approximately RMB230.0 million (equivalent to approximately HK$291.4 million), which also include 13% of the net proceeds for research and development projects on alternative optical fibre preform production process had been deposited into short-term demand deposits in bank accounts maintained by the Group. In 2015 and onwards, the Company will utilise the remaining 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 30 June 2015 was 37.8% (31 December 2014: 16.3%).

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 2015.

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Net cash used in operating activities	**(380,719)**	(791,538)
Net cash used in investing activities	**(317,391)**	(244,043)
Net cash generated from financing activities	**55,756**	560,303
Net decrease in cash and cash equivalents	**(642,354)**	(475,278)

The Group's net cash used in operating activities decreased by approximately RMB410.8 million, which was mainly due to the decrease in level of inventories as a result of the increase in the Group's revenue during the Period.

The Group's net cash used in investing activities increased by approximately RMB73.3 million, which was mainly due to the construction of Phase I project of YOFC Science & Technology Park in Wuhan and the investments made in those overseas production bases.

The Group's net cash generated from financing activities decreased by approximately RMB504.5 million because the Group increased its borrowing level during the first six months of 2014 while the gearing level for the first six months between 2014 and 2015 only increased slightly.

Net current assets

As at 30 June 2015, the Group's net current assets was RMB1,920.9 million, representing a decrease of RMB106.7 million from RMB2,027.6 million as at 31 December 2014. The decrease in net current assets was mainly due to utilisation of proceeds from the global offering and then offset by the increase in trade and bills receivable being caused by the increase in sales 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 30 June 2015, the Group's bank loans were RMB2,555.6 million, representing an increase of RMB71.5 million from approximately RMB2,484.1 million as at 31 December 2014. Most of the Group's bank loans were floating rate loans and were either denominated in US Dollar or Euro, of which US Dollar loans accounted for 63.3% of the Group's bank loans as at 30 June 2015.

Commitments and contingencies

As at 30 June 2015, the Group had the following outstanding commitments:

Contracted, but not provided for:

	30 June 2015 *RMB'000* **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
Property, plant and equipment and lease prepayments	**110,275**	85,884
Acquisition of a subsidiary	**18,000**	–
Investment in joint ventures	**214,545**	–
	342,820	85,884
Authorised, but not contracted for:		
Property, plant and equipment and lease prepayments	**437,803**	326,680
Acquisition of a subsidiary	**–**	18,000
Investment in a joint venture	**–**	27,134
	437,803	371,814
Total outstanding commitments	**780,623**	457,698

As at 30 June 2015, the Group did not have any material contingent liability.

CHARGE ON ASSETS

As at 30 June 2015, 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 Dollar and Euro. Most of the bank deposits are in Renminbi, US Dollar, Euro and HK Dollar.

As at 30 June 2015, the Group did not enter into any foreign exchange forward contracts, interest or currency swaps or other financial derivatives. Although there was fluctuation in exchange rate between Renminbi, US Dollar and Euro, the fluctuation effect cancelled out each other. The Group did not encounter any adverse material fluctuation in exchange rates differences.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2015, the Group had approximately 2,270 full-time employees (31 December 2014: 1,805 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.

On 10 June 2015, the Board passed a resolution to approve the proposed 2015 Core Employees Stock Ownership Scheme (the "**ESOP**") so as to further enhance the Company's corporate structure, incentivise the Company's management and core personnel team and to establish a sound mid-to long-term incentive plan. Further details of the ESOP have been set out in the Company's announcements dated 10 June 2015 and 28 July 2015 as well as in the Company's circular (the "**Circular**") to be despatched to the Company's shareholders at a later date from the date of this announcement. The ESOP will be subject to shareholders' approval at an extraordinary general meeting and H share and domestic share class meetings to be held at a date to be stated in the Circular.

OFF-BALANCE SHEET ARRANGEMENTS

As at 30 June 2015, the Company entered into non-recourse trade receivables factoring arrangements with commercial banks in the PRC with a carrying amount of approximately RMB88.4 million (31 December 2014: RMB332.8 million). In addition, as at 30 June 2015, the Company discounted and endorsed certain bank bills receivable with a carrying amount of approximately RMB233.6 million (31 December 2014: RMB422.7 million) to certain commercial banks in the PRC and its suppliers.

FORMATION OF JOINT VENTURES IN SOUTH EAST ASIA

Myanmar Cable JV

In December 2014, the Company and Yadanarbon Fibre Co., Ltd ("**YFCL**") agreed to establish an optical fibre cable joint venture in the Republic of the Union of Myanmar (the "**Myanmar Cable JV**") to promote and develop optical fibre cables. The Myanmar Cable JV is held as to 50% by the Company and as to 50% by YFCL. According to the joint venture agreement, the initial paid-up capital of the Myanmar Cable JV is USD4 million and the Company has made its capital contribution of USD2 million in cash in accordance with its respective shareholding in the Myanmar Cable JV. The financial results of the Myanmar Cable JV will be accounted for in the Group's financial statements using equity accounting method as a joint venture upon its commencement of operation.

Indonesia Fibre JV

In January 2015, the Company and PT MonasPermata Persada ("**PT Monas**") agreed to establish a joint venture (the "**Indonesia Fibre JV**") in Indonesia to promote and develop optical fibre manufacturing, sales and its related business. The Indonesia Fibre JV is held as to 70% by the Company and 30% by PT Monas and the paid-up capital of the Indonesia Fibre JV is USD10 million and the Company has made partial capital contribution of USD2.8 million in cash during the Period into the Indonesia Fibre JV. The financial results of the Indonesia Fibre JV will be consolidated in the Group's financial statements as a non-wholly owned subsidiary upon its commencement of operation.

FORMATION OF JOINT VENTURES IN THE PRC

Terminal Business JV

On 15 April 2015, the Company established a joint venture called Shenzhen YOFC Connectivity Company Limited with some existing employees of the Company in Shenzhen to promote and develop the integrated cabling system related products and solutions by making use of the Company's existing optical network distribution platform (the "**Terminal Business JV**"). Those products manufactured by the Shenzhen Terminal Business JV include indoor cables, connectors, components and modules as well as integrated solutions which shall be applied for use in fibre-to-the-home, data centre and data centre interconnection. The Terminal Business JV is held as to 75% by the Company and 25% by some of the existing employees of the Company (all of whom are not connected persons of the Company as defined under the Hong Kong Listing Rules) and its paid-up capital is RMB30 million. During the Period, the Company made its partial capital contribution into the Terminal Business JV in the form of fixed assets of approximately RMB17.5 million. The remaining balance of approximately RMB5.0 million and the portion to be contributed by some of the Company's existing employees, which are in the form of cash, will be made during the second half of this year. As at the date of this announcement, the cash contribution has not yet been made by the Company and those existing employees. The financial results of the Terminal Business JV have been consolidated in the Group's financial statements as a non-wholly owned subsidiary since its commencement of operation.

Preform JV

In June 2015, the Company and Shin-Etsu Chemical Co., Ltd ("**Shin-Etsu**") agreed to establish a joint venture in Qianjiang, Hubei Province, the PRC, (the "**Preform JV**") to promote and develop optical fibre preform manufacturing, sales and its related businesses. The Preform JV is held as to 49% by the Company and 51% by Shin-Etsu and the paid-up capital of the Preform JV is JPY8,000 million and each party will make their respective contribution in cash in accordance with their respective equity holdings in the Preform JV. The financial results of the Preform JV will be accounted for in the Group's financial statements as a joint venture upon its establishment.

The formation of the Myanmar Cable JV, the Indonesia Fibre JV, the Terminal Business JV and the Preform JV mentioned above did not constitute notifiable transactions or connected transactions of the Company under Chapter 14 and Chapter 14A of the Hong Kong Listing Rules.

ACQUISITION OF 60% EQUITY INTERESTS IN NK WUHAN

In June 2015, the Company entered into an equity transfer agreement with NK China Investment B.V. ("**NK China**") pursuant to which the Company agreed to purchase 60% equity interests in NK Wuhan Cable Co., Ltd ("**NK Wuhan**") from NK China at a consideration of RMB18 million. NK China is an indirectly wholly-owned subsidiary of Prysmian S.p.A., and is thus a fellow subsidiary of Draka Comteq B.V., a company incorporated in the Netherlands and a substantial shareholder of the Company. Hence, NK China is defined as a connected person of the Company under Chapter 14A of the Hong Kong Listing Rules and this transaction constituted a connected transaction of the Company.

NK Wuhan is principally engaged in the manufacture and sales of radio frequency copper coaxial cables and related products. This acquisition is part of the Group's continued growth strategy and it can enhance the Group's competitiveness in the cable industry in the PRC and enable the Group to have a more diversified products mix. Further details of this acquisition are set out in the Company's announcement dated 18 June 2015 under the heading "(1) Connected Transaction Acquisition of 60% Equity Interests in NK Wuhan and (2) Fully Exempted Proposed Continuing Connected Transactions Sale of Radio Frequency Copper Coaxial Cables and Continued Use of Trademarks". Upon the completion of this acquisition, the financial results of NK Wuhan will be consolidated in the Group's financial statements as a non-wholly owned subsidiary.

As at the date of this announcement, the Company is still in the process of finalising the remaining equity transfer procedures with the relevant local authorities in the PRC.

Other than those mentioned above, there were no other significant investments held, material acquisitions, or disposal of subsidiaries during the Period under review. 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

With the launch of the "Broadband China" national strategy by the Chinese Government, the roll-out of 4G LTE licences 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, these initiatives announced by the Chinese Government such as "Internet+", raising network speed, lowering data tariffs and enhanced network capabilities also stimulates the growth in market demand for optical fibres and optical fibre cables. As a result, the Company expects that the optical fibre and optical fibre cable market in the PRC 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 grow continuously. Together with the anti-dumping measures imposed by the Ministry of Commerce against those Japanese and US suppliers' on imported preforms, this may provide opportunities for those domestic optical fibre optical fibre preform manufacturers, including the Group, to further develop their own locally made preform business. The Company will speed up its own development on alternative production technologies of optical fibre preforms in Qianjiang, Hubei Province, the PRC. The imposed anti-dumping tariffs enable 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 Cable JV, the Indonesia Fibre JV, the Terminal Business JV, the Preform JV and the two newly added optical fibre cable plants in Shenyang and Lanzhou as scheduled. At the same time, the Company will set up more overseas offices according to market's needs so as to further strengthen its international sales network in order to gain greater market share for the overseas business.

The continuous launch of some new active optical cable ("**AOC**") related products and solutions into the market during the Period, such as integrated circuits for internet data centre, HDMI AOC, USB3.0 AOC, and the provision of "zero client" solution for universities has made the products mix of Everpro Technologies Company Limited, a subsidiary of the Company, becoming more fruitful. It is expected that the Group will spend much more effort to promote all these products during the second half of 2015 in order to build up the momentum for growth in sales and profitability in this segment in the foreseeable future.

At the same time, the Group will put more focus on its specialty fibre and cable, integrated system and cabling system network businesses. The participation in network construction projects, the provision of technological services on cabling network, and the entry into other business segments 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.

DIVIDEND

The Board did not declare the distribution of 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

The Company established the audit committee with written terms of reference in compliance with the Corporate Governance Code contained in Appendix 14 to the Hong Kong 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 with the management the accounting principles and practices adopted by the Group as well as the internal controls and financial report matters, including the review of unaudited interim results of the Group for the six months ended 30 June 2015.

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 2015.

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 2015.

INTERIM REPORT

The interim report for the six months ended 30 June 2015 will be despatched to the shareholders as well as 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
Wen Huiguo
Chairman

Wuhan, Hubei, the People's Republic of China, 28 August 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, Yao Jingming, 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*